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Financial Structure of Farmer Cooperatives

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RESEARCH REPORT 10
FARMER COOPERATIVE SERVICE
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FARMER COOPERATIVE SERVICE
U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250

Farmer Cooperative Service conducts research; advises directly with cooperative leaders and others; promotes cooperative organization and development through other Federal and State agencies; and publishes results of its research, issues News for Farmer Cooperatives, and other education material.

This work is aimed (1) to help farmers get better prices for their products and reduce operating expenses, (2) to help rural and small-town residents use cooperatives to develop rural resources, (3) to help these cooperatives expand their services and operate more efficiently, and (4) to help all Americans understand the work of these cooperatives.

MARCH 1970

PREFACE

This report provides detailed financial data for all farmer marketing, supply, and related service cooperatives in the United States that were listed with Farmer Cooperative Service the year the study was made. The purpose of the study was to obtain basic information on the financial structure of these cooperatives and their sources and use of capital, a type of information for which the Service receives continuing requests. The report fulfills the need for an examination and analysis of the financing methods employed by all cooperatives, classified by major function and geographic location.

This is the final aggregated report in a series of more limited reports resulting from this nationwide study. It is a broad summary report covering 8,522 cooperatives, both local and regional, that operated in 1962. The data are for fiscal year 1962, but are benchmark data and will be useful indefinitely as base data for conducting studies dealing with cooperative financing. Emphasis in the study is on financial structure rather than specific figures. The financial structure of cooperatives results from decisions made over a period of time. Changes in financing methods alter the structure only gradually. The relationships reported in this study have, therefore, not changed significantly since the data were collected.

A report on the 105 regional farm supply cooperatives was first presented at the annual session of the American Institute of Cooperation held at Michigan State University in August 1964. A detailed report on this group of cooperatives was later published by Farmer Cooperative Service.¹ The next report, covering all regional cooperatives, was released October 7, 1965, during cooperative month

activities in Washington, D.C., and later published in detail.²

Since available data for regionals have been published separately, this summary report does not include all the detailed information for regional cooperatives that it does for local associations. However, it summarizes information on all the local and regional associations combined and also provides data for marketing cooperatives on a commodity basis. The summary data were also tabulated by States and farm credit districts. The 12 farm credit districts were used as a geographic classification because the cooperatives use the banks for cooperatives as their major source of borrowed capital.

All the information included in this report is based on the results of a nationwide survey. We used a detailed questionnaire (see pages 91 through 94, appendix A of this report), and also requested each cooperative to furnish us with copies of its balance sheet and operating statement for the fiscal year for which it was reporting.

Material furnished by the associations was supplemented, whenever necessary, by analysis of material maintained in the Cooperative Appraisal Division and other offices of FCS. As a result, complete financial data were obtained for all 436 regional cooperatives and for 7,100 of the 8,086 locals. Complete data were not available for the other 986 locals. However, material maintained in FCS enabled us to obtain specific data or make close estimates for each of the 986 associations on six important financial measures. They are: (1) business volume, (2) number of members and patrons, (3) total assets, (4) total equity capital, (5) total net savings, and (6) total

¹Griffin, Nelda. Financial Structure of Regional Farm Supply Cooperatives. Farmer Cooperative Serv., U.S. Dept. of Agr., Gen. Rpt. 124, July 1965.

²Griffin, Nelda. Financial Structure of Regional Farmer Cooperatives. Farmer Cooperative Serv., U.S. Dept. of Agr., Gen. Rpt. 133, April 1966.

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borrowed capital. Thus some tables include data for all 8,522 cooperatives and others are based on reports from the 7,536 cooperatives from which we had complete data.

Because of the many variations in accounting and auditing practices and terminology, each questionnaire, balance sheet, operating statement, and related document was examined in detail and necessary adjustments made to insure comparability of data and permit meaningful group totals. Accounting and capital terms, as used in this report, are defined on pages 95 through 98 in appendix B.

Data presented show the financial structure of the cooperatives in total and also by functional and commodity groups. Regardless of how they are classified, however, the co-

operatives are not entirely homogeneous. Even those comparable as to overall volume, and with similar proportions of marketing and supply business, may vary greatly in the composition of their business volume, and thus have different financial problems.

A similar but more limited study of financing methods used by farmer cooperatives, based on 1954 data, was made by Farmer Cooperative Service several years ago.³ Where comparable, the 1954 and 1962 data are compared.

³ Hulbert, Helim H., Griffin, Nelda, and Gardner, Kelsey B. Methods of Financing Farmer Cooperatives. Farmer Cooperative Serv., U.S. Dept. Agr., Gen. Rpt. 32, June 1957.

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HIGHLIGHTS

This report provides detailed information on the financial structure of 8,522 local and regional cooperatives for their fiscal years ending in 1962. Only farmer marketing, supply, and related service cooperatives are included. The associations had a combined business volume of \$17 billion for the fiscal year.

Combined assets of the 8,522 cooperatives amounted to \$5.3 billion at the close of the fiscal year. Current assets accounted for 48 percent of this total, fixed assets for 37 percent, and prepaid items, investments, and other miscellaneous items accounted for the remaining 15 percent.

The cooperatives reported combined equity capital of \$3.2 billion--60 percent of their total assets. Current liabilities of the associations were equivalent to 28 percent of their total assets, and term liabilities were 12 percent of the total.

Net working capital of the cooperatives amounted to \$1.1 billion. The current ratio was 1.73 to 1.

Equity Capital.--The \$3.2 billion equity capital outstanding at the close of the fiscal year was classified as follows:

Type of equity capital	Percent
Common stock	19.7
Preferred stock	18.6
Allocated book credits	26.6
Unallocated reserves	10.6
Equity certificates (<u>without</u> maturity date)	18.7
Equity certificates (<u>with</u> maturity date).	4.9
Other miscellaneous equity	0.6
Membership certificates	0.3
Total	100.0

Excluding unallocated reserves and miscellaneous equity of \$207 million, 9 percent of the \$1,360 million combined "allocated" equity capital of the 7,100 local cooperatives participating in the study was purchased outright by members, patrons, and others. Nearly 67 percent was acquired through investment of allocated patronage refunds, and 6 percent was acquired by per unit or capital retains. The other 18 percent was acquired by a combination of these three methods: 13 percent by purchase and investment of patronage refunds, 4 percent by capital retains and investment of patronage refunds, and the other 1 percent by all three methods or other combinations of methods.

Interest and dividend rates on equity capital of the 7,100 local cooperatives ranged from "no return" to over 6 percent. Seventy-seven percent of total equities were noninterest bearing, and only 0.6 of 1 percent bore interest at rates exceeding 6 percent per annum.

Borrowed Capital.--Peak borrowed funds outstanding during the fiscal year for the 8,522 local and regional cooperatives combined amounted to \$1.6 billion. Their borrowed funds unpaid at the close of the fiscal year totaled \$1 billion. The percentage of total borrowings outstanding at the close of the fiscal year, by source, was as follows:

Sources of borrowed capital	Percent
Banks for cooperatives	57.6
Individuals	19.3
Debenture bonds	6.3
Certificates of indebtedness	6.7
Direct	6.3
Commercial banks	9.6
Other farmer cooperatives	7.2
Other sources	3.1
Source not reported	3.2
Total	100.0

Net Savings.--Net savings of the 8,522 co-operatives for fiscal year 1962, adjusted to eliminate net losses and duplication resulting from inter-cooperative business, amounted to almost \$453 million. The 7,317 regional and local cooperatives with net savings for the year reported combined savings of \$525 million. These savings were distributed as follows:

<u>Method of distribution</u>	<u>Percent</u>
Cash patronage refunds	35.5
Allocated patronage refunds	50.5
Dividends and interest	6.7
Income taxes	3.5
Unallocated reserves	3.8
Total	100.0

FINANCIAL STRUCTURE OF FARMER COOPERATIVES

by Nelda Griffin and Roger A. Wissman
Business Organization Division

As farmer cooperatives have grown and expanded their marketing, farm supply, and other business services, their financial requirements have expanded as well. Higher prices continue to tie up larger and larger amounts of capital in inventories of supplies and equipment. Patrons' accounts receivable place additional pressures on the capital structure of cooperatives. In addition, plant facilities and equipment tend to become obsolete over the years, and new construction and expansion projects take a lot of capital. All these add up to more and more capital for fixed assets as cooperatives grow.

Any time the growth of a cooperative, including the range and quality of its services, is hindered by lack of capital or credit, a financing problem exists. The problem is often primarily that of obtaining adequate amounts of equity capital from member-patrons. A sufficient base of equity capital is essential if cooperatives are to obtain loan funds at reasonable rates. Some cooperatives have had difficulty borrowing needed funds because financial participation by members was considered inadequate by lending institutions.

If cooperatives are to be in a position to furnish maximum service to members, members must be made aware of their basic responsibility of furnishing needed capital. Farmer cooperatives are not organized to make a profit as such. Their purpose is to provide products and services to member-patrons that in turn will help these member-patrons make their own individual farming operations more profitable.

Farmers finance their cooperatively-owned businesses by using all the standard methods employed by other business corporations. These include common stock, preferred stock, memberships, various kinds of certificates, bonds, reserves, and borrowed capital.

There are, however, some significant differences in the methods used by farmer cooperatives to acquire capital and those used by other business corporations. For example, customers of other corporations supply little, if any, of the capital needed to run those businesses. In contrast, most of the money required to operate a farmer cooperative comes from farmer members who own and use it to market their crops, supply their farm needs, or furnish various farm services.

In a farmer cooperative, most--if not all--of the capital supplied by a member is allocated to him individually. For example, retained savings arising from patronage are allocated to him on the books of his cooperative each year. Many farmer cooperatives make provision for revolving or returning to the member the capital he furnished some years earlier. These are some of the financing characteristics that distinguish farmer cooperatives from other business enterprises performing the same services.

This report discusses the various means farmer cooperatives use to accumulate funds to meet their capital needs. It summarizes the financial structure of farmer cooperatives. It analyzes amounts and sources of farmer cooperative borrowings, the nature and amount of equity capital, and the methods used for distributing annual margins and savings.

The study also answers such detailed questions as: What types of equity capital do farmer cooperatives use most commonly? How is the capital acquired by the owner? What rates of interest do farmer cooperatives pay on their equity capital? To what extent do farmer cooperatives use borrowed capital? Who furnishes the borrowed capital? How much of the net savings and margins of farmer cooperatives are distributed in cash, paid in taxes, or retained by the association?

CLASSIFICATION OF COOPERATIVES

While no two farmer cooperatives are exactly alike, they do have many characteristics in common and some similar features in their organizational and financial structures.

The major difference between the types of cooperatives covered is due to the predominance of their major function or activity. Some are engaged chiefly in farm supply activities; others are engaged mainly in marketing, bargaining, or service activities. Cooperatives can no longer be divided easily into distinct groups, however, as more and more of them expand their services and activities each year. Approximately two-thirds of all farmer cooperatives primarily engaged in marketing also handle production supplies and perform various services, such as storage, drying, and trucking, for their patrons. Similarly, more than one-fourth of all predominantly farm supply cooperatives also perform some marketing functions for their patrons. This trend to diversification continues upward each year, and is even more marked among the larger associations.

Because of the large number of cooperatives engaged in both marketing and farm supply activities, and because in many instances the predominant activity accounted for little more than half the total dollar volume of business, we are reporting separately for an additional group or classification of cooperatives in this study. This group includes associations involved substantially in both marketing and supply activities. We grouped the cooperatives, on the basis of their total business activity, as follows:

Farm Supply: An association with supply business accounting for two-thirds or more of total dollar volume.

Marketing: An association with marketing of farm products accounting for two-thirds or more of total dollar volume.

Marketing/farm supply: A diversified association engaged in both marketing and supply activities with each substantial enough that the other does not account for two-thirds of the total dollar volume.

Bargaining: An association engaged primarily in bargaining for price of farm prod-

ucts. Many of these associations also marketed some farm products for their members.

Service: An association engaged primarily in providing services to members, in handling their farm products, or promotional and educational services. For purposes of this study, services include trucking, storage, freezing, grinding, drying and similar services affecting the form, quality, or location of farm products and supplies handled by cooperatives, such as cotton ginning, livestock trucking, and rice and fruit drying. Not included are credit, telephone, irrigation, insurance, or electrical services; artificial breeding; dairy-herd improvement; or other types of services not directly related to marketing or purchasing activities. The marketing and farm supply business of associations classified as service cooperatives was generally insignificant.

We also classified the cooperatives in each of the above groups as "local" or "regional," since membership, size, major commodity handled, and organizational structure are significant factors in financial structure and capital and credit resources.

Tables 1 and 2 show how the 8,522 associations were classified throughout this report. In table 1, the associations were tabulated according to major function or principal activity, and in table 2, by geographic location.

The first two columns of table 1 show that 2,963 associations, or about 35 percent of the total number, were classified as primarily marketing cooperatives. Of these, 230 were regionals and 2,733 were locals. The number of associations in each major commodity group was as follows:

<u>Classification</u>	<u>Number</u>
Cotton and cotton products	386
Dairy products	963
Fruits and vegetables	493
Grain and soybeans	374
Livestock and livestock products	401
Poultry and eggs	62
Wool and mohair	109
Special crops and miscellaneous	175
Total marketing associations	2,963

Table 1.—Volume of business reported by 8,522 farmer cooperatives, by principal activity, fiscal year 1962

Classification of associations	Farmer cooperatives		Volume of business ¹	
	<i>Number</i>	<i>Percent</i>	<i>Million dollars</i>	<i>Percent</i>
Marketing - total	2,963	34.8	7,736	45.3
Cotton and cotton products	386	4.5	658	3.9
Dairy products	963	11.3	2,312	13.6
Fruits and vegetables	493	5.8	1,148	6.7
Grain and soybeans	374	4.4	1,215	7.1
Livestock and livestock products	401	4.7	1,518	8.9
Poultry and eggs	62	.7	159	.9
Wool and mohair	109	1.3	36	.2
Special crops and miscellaneous	175	2.1	690	4.0
Marketing/farm supply - total	2,559	30.0	5,093	29.8
Cotton/farm supply	118	1.4	83	.5
Dairy/farm supply	190	2.2	272	1.6
Fruits and vegetables/farm supply	93	1.1	192	1.1
Grain and soybeans/farm supply	1,931	22.6	3,168	18.6
Livestock/farm supply	14	.2	22	.1
Poultry/farm supply	67	.8	297	1.7
Diversified marketing/farm supply	121	1.4	1,028	6.0
Special crops/farm supply	25	.3	31	.2
Bargaining - total	310	3.6	2,118	12.4
Dairy	226	2.6	1,805	10.6
Poultry	9	.1	6	(²)
Sugar beets	42	.5	203	1.2
Fruits and vegetables	33	.4	104	.6
Farm supply	2,494	29.3	2,111	12.4
Service	196	2.3	9	.1
Total	8,522	100.0	17,067	100.0

¹ Intercooperative business has not been eliminated from these volume figures.² Less than 0.05 percent.

Table 2.—Volume of business reported by 8,522 farmer cooperatives, by farm credit districts, fiscal year 1962

Farm credit district	Farmer cooperatives		Volume of business ¹	
	<i>Number</i>	<i>Percent</i>	<i>Million dollars</i>	<i>Percent</i>
Springfield . .	551	6.5	1,577	9.2
Baltimore . .	449	5.3	774	4.6
Columbia . .	232	2.7	819	4.8
Louisville . .	581	6.8	1,715	10.0
New Orleans .	226	2.6	434	2.5
St. Louis . .	727	8.5	1,963	11.5
St. Paul . .	2,388	28.0	3,213	18.8
Omaha . .	1,260	14.8	1,646	9.7
Wichita . .	628	7.4	1,121	6.6
Houston . .	493	5.8	730	4.3
Berkeley . .	454	5.3	2,133	12.5
Spokane . .	533	6.3	942	5.5
U.S. total .	8,522	100.0	17,067	100.0

¹ Intercooperative business has not been eliminated from these figures.

The 175 cooperatives in the special crops and miscellaneous marketing classification include 46 rice associations, 23 nut associations, 22 tobacco, 22 sugarcane, honey, and other sugar products associations (except sugar beets), 4 dry beans and peas associations, and 58 associations marketing a variety of special crops. The special crops were primarily such crops as seeds, alfalfa, hay, and coffee, but included such products as flowers and flower bulbs, hop, forest products, tung oil, turpentine, and chinchilla and mink furs.

Relatively few of the cooperatives marketing grain and soybeans were classified for this study as grain marketing. This was because most of the grain marketing cooperatives also reported comparatively significant farm supply sales. Actually, the major farm product

marketed by 75 percent of the cooperatives classified below as marketing/farm supply was grain and soybeans. A total of 2,559 associations were classified as combination marketing/farm supply cooperatives. Of these, 48 were regionals and 2,511 were locals. The number of these diversified associations, classified by major farm product marketed, was as follows:

<u>Classification</u>	<u>Number</u>
Cotton/farm supply.....	118
Dairy/farm supply.....	190
Fruits and vegetables/farm supply.....	93
Grain and soybeans/farm supply.	1,931
Livestock/farm supply.....	14
Poultry/farm supply.....	67
Special crops/farm supply.....	25
Diversified marketing/farm supply.....	121
Total marketing/farm supply associations.....	2,559

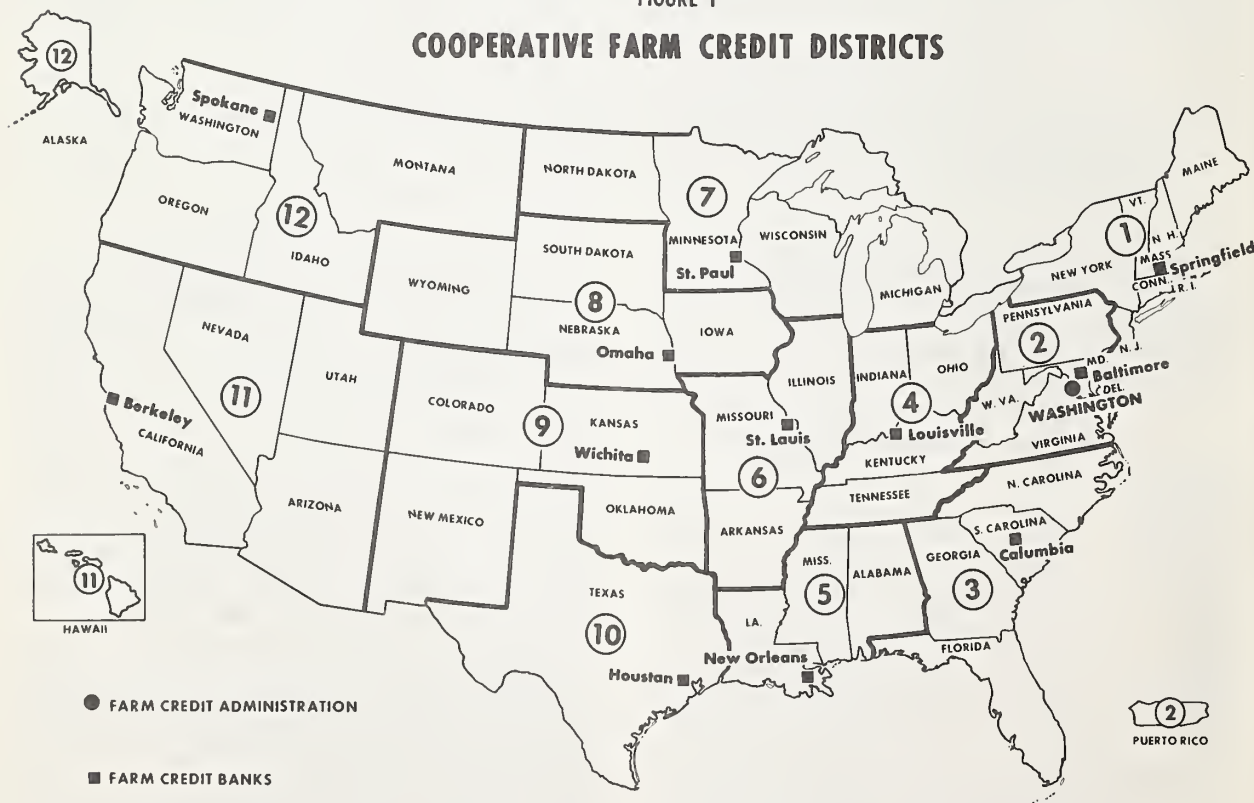
The 121 cooperatives classified above as diversified marketing/farm supply were too highly diversified to be classified by the products they marketed. The major products marketed by the 25 associations classified as special crops/farm supply were rice (11 associations), dry beans and peas (10 associations), and nuts (4 associations).

Of the 8,522 cooperatives, 29 percent, or 2,494, were primarily farm supply associations. Of these, 90 were regionals and 2,404 were locals. The cooperatives in this group handled all types of farm production supplies, such as farm chemicals, machinery and equipment, feed, seed, fertilizer, petroleum products, building materials, and containers and packaging supplies.

Less than 4 percent of the 8,522 associations were engaged primarily in bargaining for price for farm products. Of the 310 bargaining associations, 50 were regionals and 260 were locals. About 73 percent of the bargaining cooperatives, or 226 associations, were engaged in bargaining for milk and dairy prod-

FIGURE 1

COOPERATIVE FARM CREDIT DISTRICTS



ucts; 33 for fruits and vegetables; 42 for sugarbeets; and the other 9 for poultry and poultry products.

Only 2 percent of the 8,522 farmer cooperatives were classified as service cooperatives. Of these 196 associations, 18 were regionals and 178 were locals. Some of these associations provided transportation services to farmers, and some were basically educational and promotional organizations, but the majority were small frozen food locker cooperatives.

The 8,522 cooperatives were also tabulated by geographic location of their main offices. Table 2 shows the number located in each farm credit district. A U.S. map showing states

located in each of the farm credit districts appears as figure 1.

The numbers of associations with headquarters in each State are shown in Table 3 along with principal activity of the associations in the States and farm credit districts.

As shown in Tables 2 and 3, by far the largest number of associations had headquarters in the St. Paul district--28 percent of all 8,522 cooperatives. The second largest number, almost 15 percent of the total, were located in the Omaha district. The smallest number of cooperatives were located in the New Orleans and Columbia districts--less than 3 percent in each. Each of the other 8 farm credit districts headquartered between 5 and 8 percent of the total number of associations.

VOLUME OF BUSINESS

The 8,522 farmer cooperatives reported a combined annual business volume of \$17 billion for their fiscal years ending in 1962. Intercooperative business has not been eliminated from this figure. It represents the combined volume of business for 436 regionals of \$9.5 billion and 8,086 locals of \$7.5 billion. (Intercooperative business for the fiscal year amounted to approximately \$4 billion.)

Table 1 shows that the 2,963 marketing cooperatives had a total business volume of \$7.7 billion, or 45 percent of the \$17 billion total. The marketing/farm supply group (2,559 associations) reported about 30 percent of the total volume, and the farm supply group (2,494 associations) over 12 percent. The 310 bargaining cooperatives also reported over 12 percent of the \$17 billion total. This volume of business figure for bargaining cooperatives represents the value of farm products bargained for by this group of cooperatives--not sales or marketing receipts, except in cases where the predominantly bargaining cooperatives also performed other functions.

Table 2 shows comparable volume of business figures when the data are tabulated on the basis of location by farm credit districts. The St. Paul district, with 28 percent of the total number of cooperatives, reported almost 19 percent of the total business volume. The

Berkeley district, representing 5.3 percent of total cooperatives, reported 12.5 percent of total business volume. Next largest total volume figure was reported by the cooperatives in the St. Louis district with 11.5 percent, followed by the Louisville district with 10 percent. The Omaha district, which ranked second largest in number of cooperatives headquartered there, ranked fifth in percentage of total business volume.

The \$17 billion total business volume for 1962 for the 8,522 cooperatives means that volume of business per association averaged about \$2 million. The average per local was about \$930 thousand, and per regional nearly \$22 million. However, these simple averages are not nearly as meaningful as a look at the frequency distribution of the cooperatives by size of business.

Table 4 shows number of farmer cooperatives, classified by principal activity, and percentage of associations in each category with 1962 volume of business amounting to specified sizes. Over 11 percent of the 8,522 cooperatives had a business volume of less than \$100,000 in 1962. Almost one-half had a business volume amounting to less than \$500,000. Only 28 percent reported 1962 volume of \$1 million or over.

Table 3.—Number of cooperatives, by principal

State and Farm Credit Districts	Total	Farm Supply	Service	Marketing								
				Total	Cotton and cotton products	Dairy products	Fruits and vege- tables	Grain and soy beans	Livestock	Poultry and eggs	Wool	Special crops and miscel- laneous
Maine	14	4	0	8	0	1	6	0	0	0	1	0
New Hampshire	7	1	0	6	0	4	2	0	0	0	0	0
Vermont	19	4	4	4	0	4	0	0	0	0	0	0
Massachusetts	27	10	2	11	0	4	3	0	1	0	2	1
Rhode Island	2	0	1	0	0	0	0	0	0	0	0	0
Connecticut	22	11	3	5	0	3	2	0	0	0	0	0
New York	398	213	6	61	0	32	13	1	3	3	3	6
New Jersey	62	21	3	19	0	0	12	0	1	5	0	1
SPRINGFIELD	551	264	19	114	0	48	38	1	5	8	6	8
Pennsylvania	183	84	5	62	0	16	10	0	2	5	28	1
Delaware	13	2	0	2	0	0	2	0	0	0	0	0
Maryland	59	36	5	8	0	2	3	0	0	0	0	3
Virginia	136	61	7	45	0	5	9	1	19	1	7	3
West Virginia	48	23	3	21	0	4	1	0	11	0	5	0
Puerto Rico	10	1	0	8	0	0	2	0	0	0	0	6
BALTIMORE	449	207	20	146	0	27	27	1	32	6	40	13
North Carolina	43	3	7	26	1	11	9	0	1	1	0	3
South Carolina	16	1	1	9	1	1	3	0	2	1	0	1
Georgia	67	38	2	17	0	10	2	0	1	2	0	2
Florida	106	18	1	60	0	6	43	0	2	3	0	6
COLUMBIA	232	60	11	112	2	28	57	0	6	7	0	12
Ohio	256	28	6	49	0	12	15	9	2	7	1	3
Indiana	131	8	3	13	0	5	3	0	4	1	0	0
Kentucky	83	51	1	26	0	0	5	1	12	1	1	6
Tennessee	111	87	3	16	1	3	4	0	2	0	0	6
LOUISVILLE	581	174	13	104	1	20	27	10	20	9	2	15
Alabama	48	25	3	12	4	1	3	0	3	0	0	1
Mississippi	124	34	3	53	39	3	2	4	1	0	1	3
Louisiana	54	9	1	34	3	1	6	0	0	0	2	22
NEW ORLEANS	226	68	7	99	46	5	11	4	4	0	3	26
Illinois	414	131	27	87	0	18	6	47	13	0	0	3
Missouri	206	91	1	24	0	9	5	2	5	1	2	0
Arkansas	107	43	0	51	24	0	6	2	1	1	0	17
ST. LOUIS	727	265	28	162	24	27	17	51	19	2	2	20
Michigan	194	65	8	41	0	12	16	1	7	1	0	4
Wisconsin	644	238	15	345	0	248	7	0	85	2	1	2
Minnesota	1,057	250	22	451	0	263	5	25	150	5	2	1
North Dakota	493	136	7	155	0	25	2	95	30	0	3	0
ST. PAUL	2,388	689	52	992	0	548	30	121	272	8	6	7
Iowa	585	111	0	171	0	137	2	10	13	5	0	4
South Dakota	287	104	1	51	0	26	0	19	1	4	0	1
Nebraska	365	133	8	40	0	10	0	24	3	2	0	1
Wyoming	23	6	0	8	0	2	0	0	0	0	6	0
OMAHA	1,260	354	9	270	0	175	2	53	17	11	6	6
Kansas	327	57	2	32	0	7	1	22	2	0	0	0
Oklahoma	169	19	1	46	23	3	1	17	1	0	0	1
Colorado	101	36	3	21	0	2	11	3	2	1	1	1
New Mexico	31	0	1	21	18	0	3	0	0	0	0	0
WICHITA	628	112	7	120	41	12	16	42	5	1	1	2
Texas	493	54	16	313	248	3	13	30	3	3	0	13
HOUSTON	493	54	16	313	248	3	13	30	3	3	0	13
Hawaii	18	2	1	14	0	0	9	0	2	0	0	3
Arizona	16	2	0	11	3	1	6	0	0	0	1	0
Utah	55	13	2	25	0	8	5	4	1	1	5	1
Nevada	3	0	0	3	0	1	0	0	0	0	2	0
California	362	33	6	264	21	22	179	0	3	5	1	33
BERKELEY	454	50	9	317	24	32	199	4	6	6	9	37
Alaska	2	0	0	1	0	1	0	0	0	0	0	0
Montana	169	82	1	54	0	4	2	26	1	0	20	1
Idaho	82	29	1	35	0	6	4	1	7	0	13	4
Washington	174	59	2	72	0	6	30	27	3	0	0	6
Oregon	106	27	1	52	0	21	20	3	1	1	1	5
SPOKANE	533	197	5	214	0	38	56	57	12	1	34	16
UNITED STATES	8,522	2,494	196	2,963	386	963	493	374	401	62	109	175

activities and States and Farm Credit Districts, 1962

Marketing/Farm Supply									Bargaining				
Total	Cotton and cotton products	Dairy products	Fruits and vegetables	Grain	Live-stock	Poultry	Diversi-fied market-ing	Special crops	Total	Dairy products	Fruits and vegetables	Sugar	Poultry
1	0	0	1	0	0	0	0	0	1	1	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
4	0	4	0	0	0	0	0	0	3	3	0	0	0
2	0	0	0	0	0	1	1	0	2	2	0	0	0
0	0	0	0	0	0	0	0	0	1	1	0	0	0
2	0	0	0	0	0	2	0	0	1	1	0	0	0
35	0	3	2	2	0	1	27	0	83	81	2	0	0
11	0	0	3	6	0	2	0	0	8	2	1	0	5
55	0	7	6	8	0	6	28	0	99	91	3	0	5
7	0	1	3	2	0	1	0	0	25	22	2	0	1
9	0	0	0	0	0	0	9	0	0	0	0	0	0
8	0	0	0	2	0	0	6	0	2	1	0	0	1
12	0	0	0	2	2	1	7	0	11	11	0	0	0
1	0	0	0	0	0	0	1	0	0	0	0	0	0
1	1	0	0	0	0	0	0	0	0	0	0	0	0
38	1	1	3	6	2	2	23	0	38	34	2	0	2
4	0	0	0	0	1	1	2	0	3	1	0	0	2
3	0	0	2	0	0	0	1	0	2	2	0	0	0
10	2	0	0	0	0	4	3	1	0	0	0	0	0
21	0	0	20	0	0	1	0	0	6	3	3	0	0
38	2	0	22	0	1	6	6	1	11	6	3	0	2
157	0	1	0	155	0	1	0	0	16	14	1	1	0
101	0	1	0	100	0	0	0	0	6	5	1	0	0
1	0	0	0	0	0	0	1	0	4	4	0	0	0
1	0	0	1	0	0	0	0	0	4	4	0	0	0
260	0	2	1	255	0	1	1	0	30	27	2	1	0
8	0	0	0	4	1	1	2	0	0	0	0	0	0
33	12	1	0	7	0	9	4	0	1	1	0	0	0
9	2	2	0	0	0	0	0	5	1	1	0	0	0
50	14	3	0	11	1	10	6	5	2	2	0	0	0
156	0	1	1	152	1	1	0	0	13	12	1	0	0
86	0	0	0	61	0	13	12	0	4	4	0	0	0
12	5	0	0	5	0	1	1	0	1	1	0	0	0
254	5	1	1	218	1	15	13	0	18	17	1	0	0
67	0	4	8	48	0	1	3	3	13	4	2	7	0
37	0	13	0	23	1	0	0	0	9	8	0	1	0
331	0	123	0	198	1	8	1	0	3	1	0	2	0
194	0	3	0	191	0	0	0	0	1	1	0	0	0
629	0	143	8	460	2	9	4	3	26	14	2	10	0
295	0	7	0	268	7	1	12	0	8	7	1	0	0
129	0	5	0	120	0	3	1	0	2	1	0	1	0
180	0	9	1	168	0	0	2	0	4	1	0	3	0
7	0	0	0	5	0	0	0	2	2	0	0	2	0
611	0	21	1	561	7	4	15	2	16	9	1	6	0
231	0	2	0	228	0	1	0	0	5	4	0	1	0
101	29	0	0	69	0	0	2	1	2	2	0	0	0
33	0	0	8	19	0	0	4	2	8	5	1	2	0
8	4	0	0	3	0	0	0	1	1	1	0	0	0
373	33	2	8	319	0	1	6	4	16	12	1	3	0
105	51	1	0	29	0	1	17	6	5	4	1	0	0
105	51	1	0	29	0	1	17	6	5	4	1	0	0
1	0	0	0	0	0	1	0	0	0	0	0	0	0
1	1	0	0	0	0	0	0	0	2	2	0	0	0
3	0	0	0	0	0	3	0	0	12	2	2	8	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
48	11	0	24	3	0	6	1	3	11	4	6	1	0
53	12	0	24	3	0	10	1	3	25	8	8	9	0
1	0	1	0	0	0	0	0	0	0	0	0	0	0
27	0	2	0	25	0	0	0	0	5	0	0	5	0
11	0	0	2	8	0	1	0	0	6	0	0	6	0
32	0	4	17	10	0	0	1	0	9	2	6	1	0
22	0	2	0	18	0	1	0	1	4	0	3	1	0
93	0	9	19	61	0	2	1	1	24	2	9	13	0
2,559	118	190	93	1,931	14	67	121	25	310	226	33	42	9

Table 4.—Number of farmer cooperatives, classified by principal activity, and percentage of associations in each category with business of a specified volume in 1962

Classification of associations	Number of associations	Percentage of associations with 1962 volume of business amounting to—								
		Less than \$100,000	\$100,000-\$199,999	\$200,000-\$499,999	\$500,000-\$999,999	\$1-\$1.9 million	\$2-\$7.9 million	\$8-\$19.9 million	\$20-\$74.9 million	\$75 million and over
		-----Percent-----								
Marketing - total . .	2,963	16.5	13.3	24.6	17.9	11.8	10.3	3.2	1.8	0.6
Cotton and cotton products	386	14.5	19.9	31.3	17.6	7.3	6.5	1.6	0.8	0.5
Dairy products. .	963	8.2	13.2	26.7	20.3	13.2	13.0	4.0	1.1	0.3
Fruits and vegetables . . .	493	20.0	11.4	20.5	17.2	14.0	10.8	3.9	1.8	0.4
Grain and soybeans	374	2.1	5.9	30.0	29.1	18.2	9.6	1.3	2.7	1.1
Livestock	401	28.4	21.0	24.7	11.0	5.5	2.2	2.2	3.7	1.3
Poultry and eggs.	62	16.1	8.1	6.4	8.1	22.6	27.4	9.7	1.6	—
Wool and mohair	109	80.7	6.4	4.6	2.8	2.8	1.8	0.9	—	—
Special crops and miscellaneous. .	175	20.0	8.6	17.7	11.4	10.3	22.9	5.7	2.8	0.6
Marketing/farm supply - total . .	2,559	0.7	3.4	17.4	33.2	27.9	15.6	1.1	0.4	0.3
Cotton/farm supply	118	4.2	20.3	25.4	31.4	9.3	7.6	0.9	0.9	—
Dairy/farm supply	190	3.7	7.4	22.6	32.1	15.8	16.8	1.6	—	—
Fruits and vegetables/farm supply.	93	—	1.1	9.6	26.9	31.2	30.1	1.1	—	—
Grain/farm supply	1,931	0.3	2.0	16.8	34.4	30.7	14.9	0.7	0.1	0.1
Livestock/farm supply	14	—	—	21.4	14.3	35.7	28.6	—	—	—
Poultry/farm supply	67	1.5	10.5	11.9	22.4	17.9	17.9	14.9	3.0	—
Special crops/farm supply.	25	4.0	4.0	32.0	4.0	36.0	20.0	—	—	—
Diversified marketing/farm supply	121	—	0.8	16.5	35.6	19.9	18.2	0.8	4.1	4.1
Bargaining - total. .	310	3.9	2.9	13.5	22.3	16.1	19.7	13.2	7.1	1.3
Dairy	226	2.2	2.2	13.3	23.5	14.1	19.5	15.0	8.4	1.8
Poultry	9	11.1	33.4	33.3	—	11.1	11.1	—	—	—
Sugar beets. . . .	42	—	—	11.9	31.0	19.0	23.8	9.5	4.8	—
Fruits and vegetables . .	33	18.2	3.0	12.1	9.1	27.3	18.2	9.1	3.0	—
Farm supply	2,494	11.4	18.9	40.7	19.9	5.9	2.1	0.6	0.4	0.1
Service	196	90.8	5.1	3.6	0.5	—	—	—	—	—
Total	8,522	11.5	11.4	26.3	22.8	14.8	9.6	2.1	1.1	0.4

About 1.5 percent of the 8,522 cooperatives, or 130 associations, reported a business volume amounting to \$20 million or over. Of these associations, 32 reported \$75 million or more.

Cooperatives with less than \$200,000 annual business volume accounted for about 30 percent of the total number of associations in the marketing group and 30 percent of those in the

farm supply group, compared with only 4 percent of those in the marketing/farm supply combination group. However, grain marketing/farm supply cooperatives accounted for three-fourths of the total marketing/farm supply group, and of the grain/farm supply cooperatives, just over 2 percent had annual business volumes of less than \$200,000. Of the 374

Table 5.—Number of farmer cooperatives, by farm credit districts, and percentage of associations in each district with business of a specified volume in 1962

Farm credit district	Number of associations	Percentage of associations with 1962 volume of business amounting to—								
		Less than \$100,000	\$100,000-\$199,999	\$200,000-\$499,999	\$500,000-\$999,999	\$1-\$1.9 million	\$2-\$7.9 million	\$8-\$19.9 million	\$20-\$74.9 million	\$75 million and over
<i>Percent</i>										
Springfield . .	551	6.8	7.6	32.7	26.5	12.7	9.8	1.5	1.5	0.9
Baltimore	449	20.3	6.7	31.4	22.7	7.8	7.3	1.8	1.8	0.2
Columbia	232	15.5	9.5	17.3	15.1	13.4	19.8	6.0	3.0	0.4
Louisville	581	8.4	6.5	18.8	22.4	20.8	17.2	3.3	2.1	0.5
New Orleans . .	226	17.7	15.1	26.1	16.4	8.8	11.5	2.7	1.3	0.4
St. Louis	727	14.6	10.3	18.7	21.0	20.4	11.0	1.5	1.5	1.0
St. Paul	2,388	11.7	13.6	32.0	25.3	11.3	4.3	1.1	0.5	0.2
Omaha	1,260	6.5	12.0	26.6	27.8	18.8	6.1	1.5	0.6	0.1
Wichita	628	7.0	9.4	24.0	19.8	21.0	16.2	1.8	0.5	0.3
Houston	493	15.8	15.4	27.0	18.7	10.8	8.9	2.0	1.4	—
Berkeley	454	15.0	8.4	14.3	16.1	17.0	18.5	6.6	2.8	1.3
Spokane	533	13.7	14.6	23.5	18.6	12.2	13.1	3.2	1.1	—
U.S. total . .	8,522	11.5	11.4	26.3	22.8	14.8	9.6	2.1	1.1	0.4

cooperatives classified as primarily grain marketing in the marketing group, 8 percent reported less than \$200,000 annual business volume.

As shown in Table 4, nearly 50 percent of the 401 livestock marketing cooperatives reported business volumes of less than \$200,000. The majority of these associations were small local livestock trucking, or shipping cooperatives. Likewise, a majority of the 109 wool

marketing cooperatives were small county or local wool pools, which accounts for the very large percentage of associations in this group with small business volumes.

Table 5 provides a comparable frequency distribution by size of annual business volume for the 8,522 cooperatives when tabulated by geographic location, by farm credit districts.

MEMBERSHIP DATA

The 8,522 farmer cooperatives reported 6.8 million members in 1962. The 436 regional cooperatives reported 2.3 million and the 8,086 locals reported 4.5 million. These membership figures include some double counting, however, as farmers frequently are members of more than one cooperative.

Also, memberships in regional cooperatives are not very meaningful unless the cooperatives are classified by type of membership. Data were reported for three regional cooperative membership classifications in General Report 133: federated (only associations as members), centralized (only individual farmers

as members), and mixed membership (both individual farmers and associations as members).

Local cooperatives are basically centralized associations with only individual farmers as members. Table 6 shows number of members reported by the local cooperatives for 1962, with the associations classified by principal activity.

Information was also obtained on number of patrons served during the fiscal year because many cooperatives do some nonmember business. Table 6 shows that the locals served

Table 6.—Number of members and patrons reported by 8,086 local farmer cooperatives, classified by principal activity, fiscal year 1962

Classification of associations	Number of associations	Number of members	Number of patrons
		----- Thousands -----	
Marketing - total	2,733	666	616
Cotton and cotton products	356	55	54
Dairy products	910	251	218
Fruits and vegetables	463	42	42
Grain and soybeans	353	103	106
Livestock	367	124	122
Poultry and eggs	56	39	20
Wool	94	16	14
Special crops and miscellaneous	134	36	40
Marketing/farm supply - total	2,511	1,769	2,123
Cotton/farm supply	118	46	45
Dairy/farm supply	190	81	93
Fruits and vegetables/farm supply	88	16	23
Grain/farm supply	1,910	1,440	1,734
Livestock/farm supply	14	15	21
Poultry/farm supply	55	59	76
Special crops/farm supply	25	13	15
Diversified marketing/farm supply	111	99	116
Bargaining - total	260	75	82
Dairy	190	51	60
Poultry	9	1	1
Sugar beet	32	8	8
Fruits and vegetables	29	15	13
Farm supply	2,404	1,971	2,333
Service	178	32	60
Total	8,086	4,513	5,214

over 5 million patrons. As would be expected, cooperatives handling farm supplies serve more nonmember patrons than strictly marketing cooperatives. The figures reported in table

6 on number of patrons, just as with number of members, also include some duplication because many farmers patronize more than one cooperative.

BALANCE SHEET DATA

The balance sheet is a basic record of business organizations that shows financial condition at a particular date. The financial structure of farmer cooperatives, as shown by combined balance sheet data for the 8,522 associations, for fiscal years ending in 1962, is presented in figure 2.

Total assets of the 8,522 cooperatives at the close of the fiscal year were over \$5.3 billion. This is a gross figure. If intercooperative investments of \$1/2 billion are eliminated, net

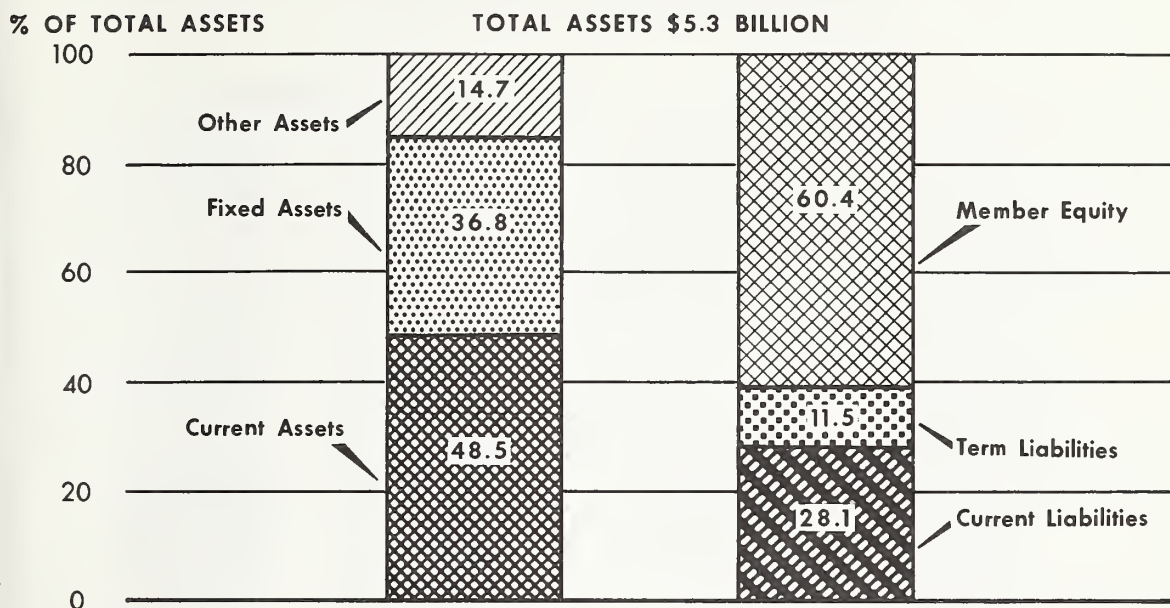
assets for the 8,522 cooperatives becomes \$4.8 billion.

Current assets accounted for 48 percent of the \$5.3 billion total gross assets. Fixed assets (reported at cost less depreciation) accounted for 37 percent of the total; investments and other miscellaneous capital accounted for the other 15 percent.

Combined net worth or equity capital of the associations at the close of the fiscal year was \$3.2 billion. This represented over 60

FIGURE 2

FINANCIAL STRUCTURE OF 8,522 FARMER COOPERATIVES



DATA ARE FOR FISCAL YEAR 1962.

percent of total assets of the cooperatives. Current liabilities totaled \$1.5 billion or 28 percent of total assets; term liabilities of \$0.6 billion accounted for the remaining 12 percent of total assets.

Net working capital of the cooperatives (current assets less current liabilities) amounted to \$1.1 billion. The ratio of current assets to current liabilities (current ratio) was 1.73 to 1.

Of the \$5.3 billion total assets, about half (\$2.6 billion) was reported by 436 regional cooperatives. The other \$2.7 billion was reported by the 8,086 local associations. Figure 3 shows financial structure separately for the local and regional cooperatives.

FINANCIAL STRUCTURE BY PRINCIPAL ACTIVITY OF COOPERATIVES

Capital requirements of cooperatives varied considerably according to their major function or activity--whether they were engaged in marketing various farm products, bargaining, processing, handling farm supplies, or in several of these functions.

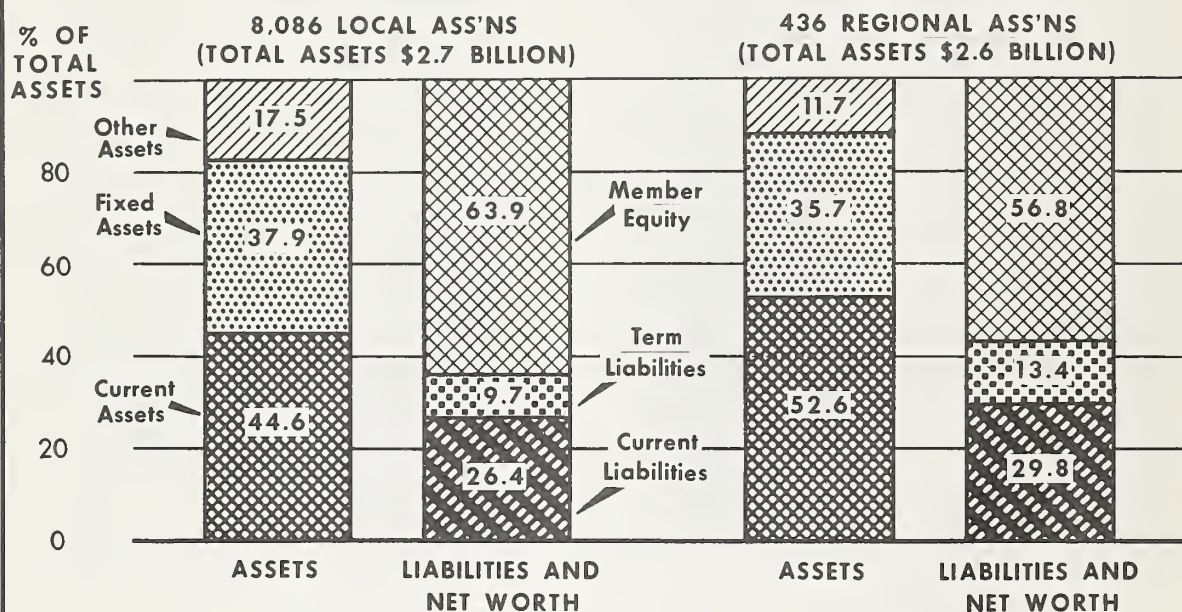
Combined balance sheet data for the 8,522 associations (grouped according to principal activity) at the close of their 1962 fiscal years are shown in table 7.

The 2,963 marketing cooperatives had combined assets of \$2 billion at the close of the

FIGURE 3

8,522 Farmer Cooperatives, Fiscal Year 1962

FINANCIAL STRUCTURE SHOWN SEPARATELY BY LOCAL AND REGIONAL COOPERATIVES



fiscal year. Current assets accounted for almost 51 percent of the total assets. Fixed assets accounted for 38 percent, and investments and other miscellaneous capital accounted for the other 11 percent.

Combined net worth or equity capital of the 2,963 marketing associations at the close of the fiscal year exceeded \$1,148 million. This represented almost 57 percent of total assets of the cooperatives. Current liabilities amounted to nearly \$684 million, or 34 percent of total assets; term liabilities of \$194 million accounted for the remaining 9 percent of total assets.

Net working capital of the marketing cooperatives amounted to approximately \$340 million. The current ratio was 1.50 to 1.

The 2,494 farm supply cooperatives had combined assets of \$1,133 million at the close

of the fiscal year. Member capital accounted for 68 percent of this total, current liabilities for 21 percent, and term liabilities for the other 11 percent.

Fixed assets of the 2,494 farm supply cooperatives amounted to 34 percent of total assets. Current assets totaled \$522 million, or 46 percent of total assets, and investments in other cooperatives and miscellaneous assets accounted for the other 20 percent.

The current ratio of the 2,494 farm supply cooperatives was 2.23 to 1. The net working capital amounted to almost \$288 million.

The 2,559 cooperatives engaged in both marketing and farm supply activities had total assets of almost \$2 billion. Current assets accounted for 47 percent of this total, fixed assets for 38 percent, and investments and other miscellaneous assets for 15 percent.

Table 7.—Balance sheet data for 8,522 farmer cooperatives, classified by principal activity, at close of fiscal year 1962

Classification of associations	Number of associations	Total assets ¹	Percentage of total assets represented by—					
			Current assets	Fixed assets	Other assets	Current liabilities	Term liabilities	Net worth
		<i>1000 dollars</i>	<i>Percent</i>			<i>Percent</i>		
Marketing - total	2,963	2,026,321	50.5	38.2	11.3	33.7	9.6	56.7
Cotton and cotton products . . .	386	204,965	40.2	47.2	12.6	28.1	12.3	59.6
Dairy products	963	612,489	46.4	39.0	14.6	30.1	7.7	62.2
Fruits and vegetables	493	553,888	57.4	33.0	9.6	41.3	9.7	49.0
Grain and soybeans	374	298,196	50.0	40.9	9.1	33.7	8.4	57.9
Livestock	401	39,193	55.3	28.5	16.2	36.6	17.0	46.4
Poultry and eggs	62	35,528	46.5	41.1	12.4	27.2	7.7	65.1
Wool and mohair	109	7,667	53.5	14.9	31.6	22.8	10.4	66.8
Special crops and miscellaneous..	175	274,395	53.9	38.6	7.5	31.6	12.0	56.4
Marketing/farm supply - total	2,559	1,966,443	46.8	38.1	15.1	25.1	13.8	61.1
Cotton/farm supply	118	43,735	25.2	50.6	24.2	12.9	13.4	73.7
Dairy/farm supply	190	82,029	39.0	34.8	26.2	24.9	6.0	69.1
Fruit and vegetable/farm supply .	93	82,434	50.8	32.8	16.4	33.0	7.2	59.8
Grain/farm supply	1,931	1,260,591	45.4	39.2	15.4	26.5	14.6	58.9
Livestock/farm supply	14	4,943	46.4	39.8	13.8	18.2	15.8	66.0
Poultry/farm supply	67	84,990	52.8	35.9	11.3	24.8	10.3	64.9
Diversified marketing/farm supply	121	394,845	53.9	35.0	11.1	21.0	15.4	63.6
Special crops/farm supply	25	12,876	35.2	39.2	25.6	20.5	7.9	71.6
Bargaining - total	310	182,621	60.2	27.7	12.1	42.8	8.9	48.3
Dairy	226	170,171	58.4	29.0	12.6	40.9	9.4	49.7
Poultry	9	58	89.4	10.2	0.4	47.5	—	52.5
Sugar beet	42	580	93.0	6.9	0.1	2.7	—	97.3
Fruits and vegetables	33	11,812	84.8	10.0	5.2	71.9	1.9	26.2
Farm supply	2,494	1,132,806	46.1	33.6	20.3	20.7	11.4	67.9
Service	196	14,750	29.0	53.0	18.0	12.6	18.3	69.1
Total	8,522	5,322,941	48.5	36.8	14.7	28.1	11.5	60.4

¹ This is a gross figure; intercooperative investments have not been eliminated.

Member capital of the 2,559 marketing/farm supply cooperatives amounted to 61 percent of total assets. Current liabilities were 25 percent of total assets and term liabilities almost 14 percent.

Net working capital of this group of diversified cooperatives amounted to almost \$427 million. The current ratio was 1.86 to 1.

The 310 cooperatives involved primarily in bargaining for price had net working capital of less than \$32 million and a current ratio of 1.41 to 1. Equity capital of this group amounted to 48 percent of their total assets of almost \$183 million.

Equity capital of the small group of service cooperatives (196) amounted to 69 percent of their combined assets of about \$15 million. This group of associations had net working capital of \$2.4 million and a current ratio of 2.30 to 1.

The balance sheet structure of cooperatives not only varied by major function, but also by principal commodity handled. Therefore, the financial position of cooperatives engaged in marketing farm products is shown separately in table 7 by commodity classifications.

The number of associations and the percentage of total assets and equity capital owned by each functional and commodity group is shown in table 8.

Table 8.—Number of associations, classified by principal activity, and percentage of total assets and net worth owned by each category, fiscal year 1962

Classification of associations	Number of associations	Number as percentage of total associations	Percentage of total assets (\$5.3 billion) owned	Percentage of total net worth (\$3.2 billion) owned
		----- <i>Percent</i> -----		
Marketing - total	2,963	34.8	38.1	35.7
Cotton and cotton products	386	4.5	3.9	3.8
Dairy products	963	11.3	11.5	11.8
Fruits and vegetables	493	5.8	10.4	8.4
Grain and soybeans	374	4.4	5.6	5.4
Livestock	401	4.7	0.7	0.6
Poultry and eggs	62	0.7	0.7	0.7
Wool and mohair	109	1.3	0.2	0.2
Special crops and miscellaneous	175	2.1	5.1	4.8
Marketing/farm supply - total	2,559	30.0	36.9	37.3
Cotton/farm supply	118	1.4	0.8	1.0
Dairy/farm supply	190	2.2	1.5	1.8
Fruit and vegetable/farm supply	93	1.1	1.5	1.5
Grain and soybeans/farm supply	1,931	22.6	23.7	23.1
Livestock/farm supply	14	0.2	0.1	0.1
Poultry/farm supply	67	0.8	1.6	1.7
Diversified marketing/farm supply	121	1.4	7.4	7.8
Special crops/farm supply	25	0.3	0.3	0.3
Bargaining - total	310	3.6	3.4	2.8
Dairy	226	2.6	3.2	2.7
Poultry	9	0.1	(¹)	(¹)
Sugar beet	42	0.5	(¹)	(¹)
Fruit and vegetable	33	0.4	0.2	0.1
Farm supply	2,494	29.3	21.3	23.9
Service	196	2.3	0.3	0.3
Total	8,522	100.0	100.0	100.0

¹ Less than 0.05 percent.

FINANCIAL STRUCTURE BY FARM CREDIT DISTRICTS

Balance sheet data for the 8,522 farmer cooperatives, by farm credit districts, are shown in table 9.

Associations located in the St. Paul and Berkeley districts reported the largest percentages of total assets and equity capital. Associations located in these two districts also had the largest percentages of total volume of business.

Net worth as a percentage of total assets was greater for the cooperatives located in the Wichita, Spokane, and Houston districts than any of the other districts. Net worth as a percentage of total assets was lowest in the Columbia, Berkeley, and St. Louis districts.

Number of associations, classified by farm credit districts, and percentage of total assets and net worth owned by associations located in each district are shown in table 10.

FINANCIAL STRUCTURE OF LOCAL COOPERATIVES

Balance sheet data for 7,100 local farmer cooperatives, classified by principal activity, are shown in table 11. The local cooperatives included represent all those that supplied us with detailed financial data for this study. Data for the 986 locals for which estimates were included in some sections of this report are excluded.

Table 9.—Balance sheet data for 8,522 farmer cooperatives, by farm credit districts, at close of fiscal year 1962

Farm credit district	Number of associations	Total assets	Percentage of total assets represented by—					
			Current assets	Fixed assets	Other assets	Current liabilities	Term liabilities	Net worth
		<i>1,000 dollars</i>	<i>Percent</i>			<i>Percent</i>		
Springfield	551	370,560	58.5	33.3	8.2	30.0	5.2	64.8
Baltimore	449	272,232	49.2	36.1	14.7	23.4	14.1	62.5
Columbia	232	293,268	59.1	31.2	9.7	37.0	13.2	49.8
Louisville	581	423,214	45.8	34.1	20.1	23.4	14.6	62.0
New Orleans	226	148,289	43.0	43.4	13.6	25.3	13.8	60.9
St. Louis	727	587,953	44.1	43.3	12.6	26.6	20.4	53.0
St. Paul	2,388	1,021,671	50.9	31.3	17.8	30.0	7.4	62.6
Omaha	1,260	467,144	45.6	38.7	15.7	23.9	11.8	64.3
Wichita	628	393,238	37.2	49.0	13.8	19.3	13.9	66.8
Houston	493	226,159	36.0	48.6	15.4	22.3	11.9	65.8
Berkeley	454	731,559	55.1	33.0	11.9	37.0	10.3	52.7
Spokane	533	387,654	46.4	35.9	17.7	26.6	7.2	66.2
U.S. total	8,522	5,322,941	48.5	36.8	14.7	28.1	11.5	60.4

Almost 51 percent of the total assets of \$482 million of the 2,094 local farm supply cooperatives were classified as current assets, 23 percent were fixed, and the other 26 percent represented investments and other miscellaneous assets owned by the associations.

The local farm supply cooperatives reported total net worth or equity capital of \$358 million, which was equivalent to 74 percent of their

total assets. Their term liabilities amounted to less than 6 percent of total assets, and current liabilities accounted for the remaining 20 percent.

Working capital of the 2,094 local farm supply cooperatives was \$147 million, and the current ratio was 2.52 to 1.

Assets of the 2,325 local marketing cooperatives at the close of the fiscal year totaled

Table 10.—Number of associations, classified by farm credit districts, and percentage of total assets and net worth owned by each category, fiscal year 1962

Farm credit district	Number of associations	Number as percentage of total associations	Percentage of total assets (\$5.3 billion) owned	Percentage of total net worth (\$3.2 billion) owned
		<i>Percent</i>		
Springfield	551	6.5	7.0	7.5
Baltimore	449	5.3	5.1	5.3
Columbia	232	2.7	5.5	4.5
Louisville	581	6.8	8.0	8.2
New Orleans	226	2.6	2.8	2.8
St. Louis	727	8.5	11.0	9.7
St. Paul	2,388	28.0	19.2	19.9
Omaha	1,260	14.8	8.8	9.3
Wichita	628	7.4	7.4	8.2
Houston	493	5.8	4.2	4.6
Berkeley	454	5.3	13.7	12.0
Spokane	533	6.3	7.3	8.0
U.S. total	8,522	100.0	100.0	100.0

Table 11.—Balance sheet data for 7,100 local farmer cooperatives, classified by principal activity, at close of fiscal year 1962

Classification of associations	Number of associations	Total assets	Percentage of total assets represented by—					
			Current assets	Fixed assets	Other assets	Current liabilities	Term liabilities	Net worth
		<i>1,000 dollars</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Marketing - total	2,325	768,660	41.7	43.3	15.0	29.5	10.4	60.1
Cotton and cotton products . . .	273	70,712	19.0	60.6	20.4	11.3	16.6	72.1
Dairy products	757	263,530	42.0	42.6	15.4	29.0	8.1	62.9
Fruits and vegetables	378	224,493	51.8	33.8	14.4	38.6	8.9	52.5
Grain and soybeans	295	110,109	42.6	43.9	13.5	31.7	7.2	61.1
Livestock	365	4,299	46.7	45.1	8.2	15.3	15.6	69.1
Poultry and eggs	47	22,056	44.3	41.2	14.5	30.6	8.8	60.6
Wool and mohair	94	94	82.6	16.3	1.1	22.9	10.5	66.6
Special crops and miscellaneous . .	116	73,367	29.4	58.1	12.5	19.0	21.8	59.2
Marketing/farm supply - total	2,247	1,155,732	43.3	40.6	16.1	26.7	11.0	62.3
Cotton/farm supply	89	36,558	25.2	50.6	24.2	13.3	13.9	72.8
Dairy/farm supply	182	79,273	39.0	34.8	26.2	24.8	6.0	69.2
Fruits and vegetables/farm supply .	79	63,615	49.2	33.9	16.9	34.3	8.1	57.6
Grain/farm supply	1,723	890,481	43.7	41.2	15.1	27.2	11.5	61.3
Livestock/farm supply	13	4,868	46.4	39.8	13.8	18.4	16.0	65.6
Poultry/farm supply	43	20,091	48.9	39.0	12.1	18.0	10.3	71.7
Diversified marketing/farm supply	97	48,450	48.6	39.6	11.8	26.4	13.9	59.7
Special crops/farm supply	21	12,396	34.8	40.0	25.2	19.8	8.2	72.0
Bargaining - total	260	43,790	65.9	19.9	14.2	44.7	7.9	47.4
Dairy	190	37,717	63.8	21.2	15.0	42.1	8.6	49.3
Poultry	9	58	89.4	10.2	0.4	47.5	—	52.5
Sugar beet	32	75	100.0	—	—	1.0	—	99.0
Fruits and vegetables	29	5,940	78.4	11.7	9.9	34.3	8.1	57.6
Farm supply	2,094	482,349	50.7	23.3	26.0	20.2	5.6	74.2
Service	174	10,774	23.8	70.4	5.8	10.0	21.0	69.0
Total	7,100	2,461,305	44.6	37.8	17.6	26.5	9.8	63.7

almost \$769 million. Approximately 42 percent of the combined assets of the cooperatives were classified as current assets. An additional 43 percent were fixed assets. Investments and other miscellaneous assets accounted for the other 15 percent of total assets.

Combined equity capital of the local marketing cooperatives amounted to \$462 million, or 60 percent of their total assets. Current liabilities amounted to almost 30 percent of total assets, and term liabilities accounted for the other 10 percent.

Combined working capital of the 2,325 cooperatives amounted to \$93.5 million, and the current ratio was 1.41 to 1.

The 2,247 local associations engaged in both marketing and farm supply activities had com-

bined assets of \$1,156 million at the close of the fiscal year. Current assets accounted for 43 percent of the total assets. An additional 41 percent represented fixed assets. Investments and other miscellaneous assets accounted for the remaining 16 percent of total assets.

Equity capital of the 2,247 local marketing/farm supply cooperatives amounted to approximately \$720 million, or over 62 percent of their total assets. Current liabilities accounted for 27 percent of total assets, and term liabilities for 11 percent.

Working capital of the marketing/farm supply associations amounted to \$192 million, and the current ratio was 1.62 to 1.

Table 12 shows balance sheet data for the 7,100 local farmer cooperatives classified by farm credit districts.

Net worth as a percentage of total assets ranged from a high of almost 73 percent for cooperatives located in the Houston district to a low of about 51 percent for those in the Columbia district.

supply group and 7 percent of the marketing/farm supply combination group.

Bargaining cooperatives by their very nature do not have large assets, and those that did report significant assets in 1962 were also engaged to some extent in processing or other marketing activities.

Table 12.—Balance sheet data for 7,100 local farmer cooperatives, by farm credit districts, at close of fiscal year 1962

Farm credit district	Number of associations	Total assets	Percentage of total assets represented by—					
			Current assets	Fixed assets	Other assets	Current liabilities	Term liabilities	Net worth
		1,000 dollars	—Percent—			—Percent—		
Springfield	494	100,501	62.7	32.3	5.0	34.8	4.4	60.8
Baltimore	404	126,741	49.3	37.8	12.9	24.6	12.4	63.0
Columbia	135	83,269	50.7	37.7	11.6	35.0	14.1	50.9
Louisville	492	211,366	43.4	32.6	24.0	23.1	11.4	65.5
New Orleans	124	45,024	38.0	47.7	14.3	21.1	12.3	66.6
St. Louis	573	169,996	47.3	39.7	13.0	25.9	9.2	64.9
St. Paul	2,124	543,082	49.6	29.2	21.2	32.9	4.2	62.9
Omaha	1,047	332,336	44.8	40.8	14.4	22.6	10.9	66.5
Wichita	542	272,944	31.5	51.8	16.7	18.0	18.0	64.0
Houston	380	124,892	25.3	54.0	20.7	13.5	13.8	72.7
Berkeley	341	220,283	44.3	34.4	21.3	30.8	8.7	60.5
Spokane	444	230,871	46.3	35.6	18.1	29.3	8.1	62.6
U.S. total	7,100	2,461,305	44.6	37.8	17.6	26.5	9.8	63.7

FREQUENCY DISTRIBUTION BY SIZE OF ASSETS

A frequency distribution of the cooperatives by size of assets at the close of their 1962 fiscal years is shown by classification of associations in table 13 and by farm credit districts in table 14.

Over 31 percent of the 8,522 associations had assets of less than \$100,000. Seventy-nine percent had assets amounting to less than \$500,000 and less than one percent (77 cooperatives) had assets of \$10 million or more.

Size of assets when the cooperatives were classified by principal activity is shown in table 13. Of the 2,963 marketing cooperatives, 44 percent had assets of less than \$100,000. This compares with 31 percent of the farm

Table 14 shows size of assets of the co-operatives by farm credit districts. The percentage of associations with assets of less than \$100,000 ranges from 20 percent in the Wichita district to almost 44 percent in the Springfield district. However, 99 bargaining cooperatives (with relatively small assets) were located in the Springfield district, which largely accounts for this difference.

ASSETS OF FARMER MARKETING AND SUPPLY COOPERATIVES AT CLOSE OF FISCAL YEAR 1954⁴

Expansion of data supplied by a sample of 1,157 farmer cooperatives included in an earlier Farmer Cooperative Service study

⁴ See footnote 3, page ii.

Table 13.—Frequency distribution of 8,522 farmer cooperatives, classified by principal activity, by size of assets at close of fiscal year 1962

Classification of associations	Number of associations	Percentage of associations with assets at close of fiscal year 1962 of—						
		Less than \$100,000	\$100,000-\$499,999	\$500,000-\$999,999	\$1-\$3.9 million	\$4-\$9.9 million	\$10-\$24.9 million	\$25 million and over
		<i>Percent</i>						
Marketing - total	2,963	44.0	36.4	8.7	7.6	1.8	1.2	0.3
Cotton and cotton products	386	26.7	55.2	9.3	5.4	0.8	2.3	0.3
Dairy products	963	43.5	37.2	8.2	8.3	2.0	0.6	0.2
Fruits and vegetables	493	40.6	33.3	10.6	9.9	2.8	2.2	0.6
Grain and soybeans	374	13.4	63.6	13.4	5.9	2.1	1.3	0.3
Livestock	401	91.8	3.5	2.2	2.2	0.3	—	—
Poultry and eggs	62	35.5	32.3	16.1	14.5	1.6	—	—
Wool and mohair	109	89.9	5.5	2.8	1.8	—	—	—
Special crops and miscellaneous	175	25.1	37.2	11.4	18.9	4.0	2.8	0.6
Marketing/farm supply - total	2,559	7.3	58.0	23.5	10.1	0.5	0.2	0.4
Cotton/farm supply	118	21.2	52.6	16.9	8.5	0.8	—	—
Dairy/farm supply	190	17.9	61.6	10.0	10.0	0.5	—	—
Fruits and vegetables/farm supply	93	7.5	43.0	21.5	26.9	1.1	—	—
Grain/farm supply	1,931	4.8	59.1	26.3	9.3	0.2	0.1	0.2
Livestock/farm supply	14	14.3	64.3	14.3	7.1	—	—	—
Poultry/farm supply	67	22.4	43.3	8.9	16.4	7.5	1.5	—
Special crops/farm supply	25	20.0	44.0	20.0	16.0	—	—	—
Diversified marketing/farm supply	121	5.8	60.4	18.2	7.4	0.8	3.3	4.1
Bargaining - total	310	69.7	10.0	5.8	10.6	2.6	1.3	—
Dairy	226	61.9	12.8	7.1	13.3	3.1	1.8	—
Poultry	9	100.0	—	—	—	—	—	—
Sugar beet	42	97.6	2.4	—	—	—	—	—
Fruits and vegetables	33	78.8	3.0	6.1	9.1	3.0	—	—
Farm supply	2,494	31.3	58.5	7.3	1.9	0.5	0.3	0.2
Service	196	86.7	10.7	2.1	0.5	—	—	—
Total	8,522	31.2	47.8	12.5	6.6	1.0	0.6	0.3

provides asset data comparable to that collected for this study.

Assets of 9,793 farmers' marketing and farm supply associations in the United States at the close of fiscal year 1954 were estimated at over \$3.6 billion. This figure included estimates for all cooperatives listed with Farmer Cooperative Service in 1954 except 264 bargaining associations, but it was a gross

figure since duplications arising from inter-cooperative investments were not eliminated. Table 15 shows assets of the 9,793 cooperatives at close of fiscal year 1954 separately for local and regional cooperatives and by principal activity. The cooperatives engaged in both marketing and purchasing activities in 1954 were classified as either marketing or farm supply depending upon their predominant activity.

Table 14.—Frequency distribution of 8,522 farmer cooperatives, by farm credit districts, by size of assets at close of fiscal year 1962

Farm credit district	Number of associations	Percentage of associations with assets at close of fiscal year 1962 of—						
		Less than \$100,000	\$100,000-\$499,999	\$500,000-\$999,999	\$1-\$3.9 million	\$4-\$9.9 million	\$10-\$24.9 million	\$25 million and over
		<i>Percent</i>						
Springfield	551	43.7	45.4	4.5	5.1	0.4	0.2	0.7
Baltimore	449	40.8	45.4	6.9	3.6	2.4	0.7	0.2
Columbia	232	30.6	38.4	12.9	12.1	3.9	1.7	0.4
Louisville	581	21.4	48.7	17.0	11.0	1.4	0.2	0.3
New Orleans	226	28.3	53.5	5.8	10.6	0.5	1.3	—
St. Louis	727	37.7	42.3	10.9	7.3	0.7	0.7	0.4
St. Paul	2,388	36.1	49.0	11.4	2.7	0.5	0.2	0.1
Omaha	1,260	23.4	58.8	13.6	3.3	0.6	0.2	0.1
Wichita	628	20.0	45.7	21.0	12.6	0.2	0.3	0.2
Houston	493	30.2	49.1	13.0	6.3	0.8	0.6	—
Berkeley	454	27.5	30.2	16.7	17.2	3.3	4.2	0.9
Spokane	533	27.0	45.0	13.7	11.1	2.1	0.9	0.2
U.S. total	8,522	31.2	47.8	12.5	6.6	1.0	0.6	0.3

Table 15.—Assets of 9,793 farmer cooperatives at close of fiscal year 1954¹

Type of association	Total number of associations ²	Total Assets
<i>Thousand dollars</i>		
Marketing	6,420	2,590,201
Locals	6,103	1,384,541
Regionals	317	1,205,660
Farm supply	3,373	1,026,975
Locals	3,257	473,378
Regionals	116	553,597
All associations	9,793	3,617,176
Locals	9,360	1,857,919
Regionals	433	1,759,257

¹ Intercooperative investments not eliminated.

² 264 bargaining cooperatives excluded.

EQUITY CAPITAL

Equity capital in 8,522 farmer cooperatives in 1962 amounted to \$3.2 billion. This figure is the sum of the equity capital reported by 436 regional cooperatives and 7,100 local cooperatives, plus estimated equity capital for 986 local cooperatives that did not report detailed figures for this study.

The 436 regional cooperatives had combined equity capital of \$1,493 million and the 8,086 locals had \$1,723 million. These are gross

figures, however, since these cooperatives had inter-cooperative investments as follows:

Number and classification of associations	Gross equity capital	Inter-cooperative investments	Net equity capital
<i>-----Million dollars-----</i>			
8,086 Locals....	1,723	373	1,350
436 Regionals..	1,493	125	1,368
8,522 Total.....	3,216	498	2,718

Table 16 shows combined equity capital for the 8,522 cooperatives when classified by functional and commodity groups.

Intercooperative investments by the cooperatives have not been eliminated in table 16. Comparable "net" equity capital figures for the major functional groups are:

Number and classification of associations	Gross equity capital	Inter- cooperative investments	Net equity capital
-----Million dollars-----			
2,963 Marketing ...	1,148	110	1,038
2,559 Marketing and farm supply.	1,201	205	996
2,494 Farm supply .	769	175	594
506 Bargaining and service.	98	8	90
8,522 Total	3,216	498	2,718

Estimates of farmers' "net" equities in their marketing and farm supply cooperatives were also made by Farmer Cooperative Service in 1949, 1950, and 1954. These are:

Fiscal Year	Number of associations	Farmers' net equities (Million dollars)
1962	8,522	2,718
1954	10,056	1,809
1950	10,035	1,298
1949	10,119	1,148

These estimates of farmers' equities in their marketing and farm supply associations do not represent identical associations for each year. Rather, they represent the total equity capital in all marketing and farm supply associations at the time the reports were made. Each year new associations are added to the list maintained in Farmer Cooperative Service, and other names are dropped as cooperatives go out of business due to consolidations, mergers, or unsuccessful operations.

Between 1949 and 1950, farmers' net equities in their marketing and farm supply cooperatives increased by about 13 percent. From 1950 to 1954 they increased by 39 percent, or an average annual increase over the 4 years of 9.8 percent, using 1950 as a base.

From 1954 to 1962, using 1954 as a base, farmers' net equities increased by 50 percent,

or an average annual increase for the 8 years of 6.3 percent.

KINDS AND AMOUNTS OF EQUITY CAPITAL

Kinds and amounts of equity capital reported by the 8,522 farmer cooperatives at the close of fiscal year 1962 are shown in table 16.

Over 38 percent of the total equity of \$3.2 billion was in the form of capital stock. Preferred stock accounted for 18 percent of total equity and common stock for an additional 20 percent.

Approximately half the total equity capital of the cooperatives was allocated to individual patrons as capital credits, including amounts for which certificates were issued as well as amounts allocated only on the books.

Unallocated reserves accounted for almost 11 percent of total equity and nonstock membership certificates for 0.3 of 1 percent. Miscellaneous capital accounted for the other 0.6 percent of the total equity capital of \$3.2 billion.

Most of the cooperatives issued either non-stock membership certificates or some form of capital stock to qualified farmers to denote membership or voting rights. Common stock has been issued most frequently as the voting or membership stock by cooperatives organized with capital stock. However, a few cooperatives have issued preferred stock for this purpose.

Very definite limitations regarding ownership, transfer, surrender, cancellation, loss of voting power, etc., are usually included in the articles of incorporation and printed on the face of "voting" stock certificates. This is because ownership and control must remain with farmer members if an association is to qualify as a farmer cooperative under various Federal and State laws.

Regardless of the type of certificate used, funds derived from sale of voting stock were generally only of nominal importance. Therefore, in order to acquire additional capital, many cooperatives issued one or more classes

Table 16.—Types of equity capital used by 8,522 farmer cooperatives, classified by principal activity, at close of fiscal year 1962

Classification of associations	Number of associations	Total equity capital	Percentage of total equity capital represented by—							
			Common stock	Preferred stock	Membership certificates (nonstock)	Certificates of equity with maturity date	Certificates of equity without maturity date	Allocated capital credits	Unallocated reserves	Miscellaneous equity
		<i>1,000 dollars</i>	<i>Percent</i>							
Marketing - total	2,963	1,148,287	10.5	14.5	0.2	7.0	25.2	35.7	6.6	0.3
Cotton and cotton products	386	122,124	2.9	31.7	0.1	3.0	34.1	24.5	2.8	0.9
Dairy products	963	381,006	6.0	16.3	0.1	8.1	27.5	37.9	3.9	0.2
Fruits and vegetables	493	271,402	4.2	4.1	0.4	12.7	29.3	46.7	2.2	0.4
Grain and soybeans	374	172,609	27.4	21.7	(¹)	4.2	12.2	16.2	18.2	0.1
Livestock	401	18,172	11.4	12.6	0.2	0.4	12.1	46.6	16.6	0.1
Poultry and eggs	62	23,141	7.4	7.9	3.1	4.5	29.7	42.2	5.1	0.1
Wool	109	5,124	1.5	15.3	0.2	—	48.2	28.4	6.4	(¹)
Special crops and miscellaneous	175	154,709	20.2	7.8	0.1	2.1	20.2	39.5	10.1	(¹)
Marketing/farm supply - total	2,559	1,200,417	21.2	14.2	0.5	4.1	19.9	25.4	14.3	0.4
Cotton/farm supply	118	32,231	2.7	21.6	0.1	3.5	34.0	34.1	3.9	0.1
Dairy/farm supply	190	56,650	5.1	9.6	0.1	12.9	19.2	48.0	5.1	(¹)
Fruits and vegetables/farm supply	93	49,284	3.5	8.5	0.2	1.7	30.7	46.1	8.7	0.6
Grain/farm supply	1,931	743,265	27.9	14.0	0.2	1.4	18.0	22.2	16.0	0.3
Livestock/farm supply	14	3,263	6.2	28.9	1.0	—	15.7	21.4	26.8	—
Poultry/farm supply	67	55,203	3.0	1.4	7.2	0.6	66.7	17.3	3.7	0.1
Special crops/farm supply	25	9,215	2.3	18.6	0.2	19.9	32.3	24.3	2.4	—
Diversified marketing/farm supply	121	251,306	15.5	18.3	(¹)	11.2	11.0	26.4	16.6	1.0
Bargaining - total	310	88,234	0.5	3.7	0.2	16.9	29.3	43.3	6.1	(¹)
Dairy	226	84,545	0.4	3.9	0.1	17.6	29.8	42.6	5.6	(¹)
Poultry	9	30	—	—	7.1	—	—	—	92.9	—
Sugar beets	42	565	—	—	—	—	—	51.1	48.9	(¹)
Fruits and vegetables	33	3,094	3.3	0.2	2.3	—	20.6	60.6	13.0	—
Farm supply	2,494	768,680	33.4	33.2	0.3	1.8	6.0	12.8	11.2	1.3
Service	196	10,194	17.4	16.6	0.4	2.8	14.1	36.8	10.6	1.3
Total	8,522	3,215,812	19.7	18.6	0.3	4.9	18.7	26.6	10.6	0.6

¹ Less than 0.05 percent.

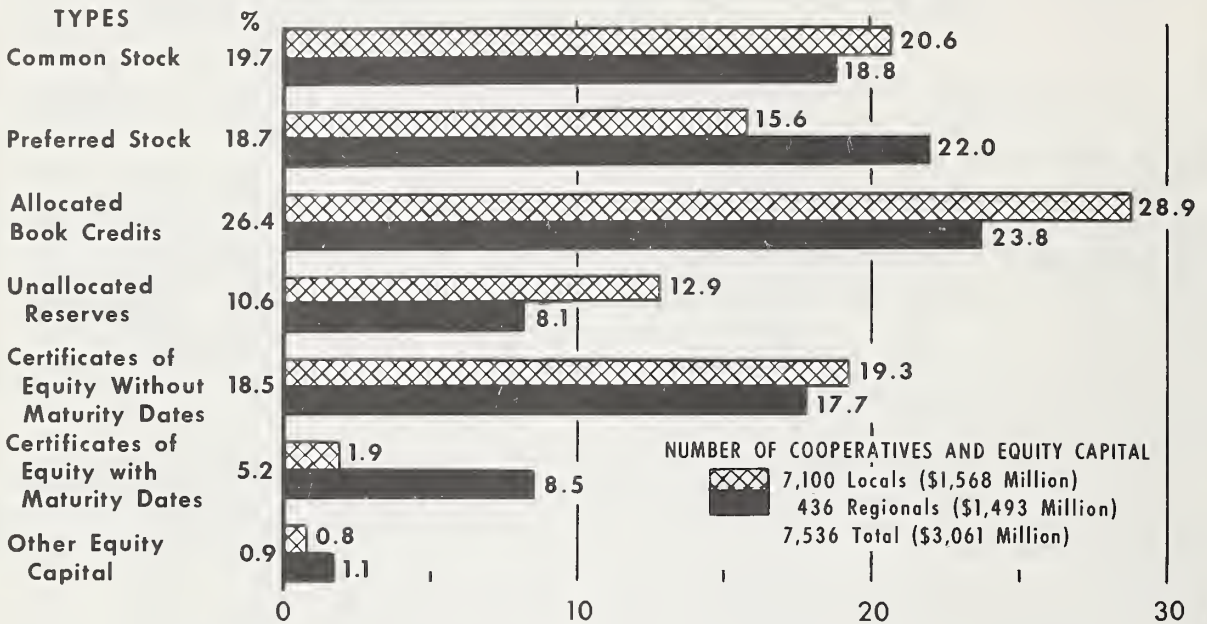
of nonvoting capital stock. This stock has been classified as common stock by some cooperatives and as preferred by others. Since State cooperative and corporation laws vary, there is no definite national pattern of classification. Consequently, nonvoting capital stock classified as common by one cooperative may be essentially the same as that classified as preferred by another. Thus, voting and nonvoting capital stock were not tabulated separately.

TYPES OF EQUITY CAPITAL BY LOCAL AND REGIONAL CLASSIFICATION

Figure 4 shows types of equity capital reported by 7,536 cooperatives separately for local and regional associations. Estimates for the 986 local associations that did not report detailed figures for the study are not included. As shown by this chart, the percentages of total

FIGURE 4

TYPES OF EQUITY CAPITAL USED BY REGIONAL AND LOCAL FARMER COOPERATIVES



DATA ARE FOR FISCAL YEAR 1962.

equity, by types, for the 7,100 locals and the 436 regionals did not vary to a great extent. The regionals reported a higher percentage of their equity capital as preferred stock, while the locals reported a slightly higher percentage of common stock. Common and preferred stock combined accounted for 36 percent of total equity capital of the locals compared with close to 41 percent for the regionals.

Allocated book credits plus equity certificates without maturity dates accounted for about 45 percent of total equity capital for all 7,536 associations. This type equity accounted for over 48 percent of the total equity of locals and nearly 42 percent for regionals.

The 436 regionals reported 8.5 percent of their total equity capital as equity certificates with maturity dates. The 7,100 locals listed less than 2 percent of their total equity as this type of capital.

The locals reported a larger percentage of their total equity as unallocated reserves than did regionals--about 13 percent for locals compared with 8 percent for regionals.

TYPES OF EQUITY CAPITAL BY MAJOR FUNCTION OF COOPERATIVES

As shown in tables 17 and 18, the relative importance of various types of equity capital varied considerably when the 7,536 local and regional cooperatives were grouped by functional and commodity types.

Two-thirds of the equity capital of the 2,184 farm supply cooperatives was in the form of capital stock, whereas capital stock of the 2,555 marketing cooperatives amounted to only a fourth of their total equity. The percentage

Table 17.—Combined equity capital of 436 regional and 7,100 local farmer cooperatives, classified by principal activity, at close of fiscal year 1962

Classification of associations	Number of associations	Total equity capital	Percentage of total equity capital represented by—							
			Common stock	Preferred stock	Member-ship certificates (nonstock)	Certificates of equity with maturity date	Certificates of equity without maturity date	Allocated capital credits	Unallocated reserves	Miscellaneous equity
		<i>1,000 dollars</i>	<i>Percent</i>							
Marketing - total	2,555	1,090,639	10.6	14.5	0.2	7.3	25.0	35.5	6.7	0.2
Cotton and cotton products	303	110,800	2.8	32.3	0.2	3.1	34.4	23.6	2.8	0.8
Dairy products	810	359,020	5.8	16.4	0.1	8.4	27.4	37.9	3.8	0.2
Fruits and vegetables	408	262,495	4.2	4.0	0.4	13.1	29.4	46.3	2.2	0.4
Grain and soybeans	316	164,899	27.9	21.8	(¹)	4.4	11.8	15.5	18.5	0.1
Livestock	399	18,120	11.4	12.6	0.2	0.4	12.1	46.7	16.5	0.1
Poultry and eggs	53	21,447	7.2	7.9	3.0	4.3	28.9	43.4	5.2	0.1
Wool	109	5,124	1.5	15.3	0.2	—	48.2	28.4	6.4	(¹)
Special crops and miscellaneous	157	148,734	20.6	7.9	0.1	2.2	19.1	39.6	10.5	(¹)
Marketing/farm supply - total	2,295	1,135,659	21.3	14.2	0.5	4.3	19.7	25.3	14.2	0.5
Cotton/farm supply	89	26,608	2.7	21.6	0.1	3.5	34.0	34.1	3.9	0.1
Dairy/farm supply	182	54,834	5.1	9.6	0.1	12.9	19.2	48.0	5.1	(¹)
Fruits and vegetables/farm supply	84	41,010	3.4	8.6	0.1	2.0	30.6	46.0	8.7	0.6
Grain/farm supply	1,744	702,134	28.0	14.0	0.2	1.4	18.1	22.2	15.8	0.3
Livestock/farm supply	13	3,203	6.2	28.9	1.0	—	15.7	21.4	26.8	—
Poultry/farm supply	55	50,489	2.5	1.3	7.4	0.6	67.8	17.1	3.2	0.1
Special crops/farm supply	21	8,921	2.3	19.0	0.2	20.1	32.1	23.9	2.4	—
Diversified marketing/farm supply	107	248,460	15.6	18.2	(¹)	11.3	11.0	26.5	16.4	1.0
Bargaining - total	310	88,234	0.5	3.7	0.2	16.9	29.3	43.3	6.1	(¹)
Dairy	226	84,545	0.4	3.9	0.1	17.6	29.8	42.6	5.6	(¹)
Poultry	9	30	—	—	7.1	—	—	—	92.9	—
Sugar beets	42	565	—	—	—	—	—	58.9	41.1	(¹)
Fruits and vegetables	33	3,094	3.3	0.2	2.3	—	20.6	60.6	13.0	—
Farm supply	2,184	735,754	33.3	33.7	0.2	1.9	5.8	12.6	11.1	1.4
Service	192	10,136	17.4	16.6	0.4	2.8	14.1	36.9	10.6	1.2
Total	7,536	3,060,422	19.7	18.7	0.3	5.2	18.5	26.4	10.6	0.6

¹ Less than 0.05 percent.

of marketing associations using capital stock was also smaller than the percentage of farm supply associations using it. Of the 2,184 farm supply cooperatives, 80 percent reported outstanding common stock and 52 percent reported outstanding preferred stock. Fifty-four percent of the marketing associations reported common stock and 25 percent reported preferred stock.

Of the 2,295 cooperatives engaged in both marketing and farm supply activities, over 84

percent reported common stock and nearly 43 percent reported preferred stock. Common and preferred stock of these cooperatives represented 35 percent of their total equity.

Equity certificates and allocated capital credits, on the other hand, accounted for 20 percent of total equity capital of the farm supply cooperatives and for 68 percent of total equity of the marketing group. Of the 2,555 marketing associations, 3.7 percent reported equity certificates with maturity dates, 31 per-

Table 18.—Types of equity capital used by 7,536 farmer cooperatives (436 regional and 7,100 local), by principal activity, based on number of associations reporting each type of equity, fiscal year 1962

Classification of associations	Number of associations	Percentage of associations reporting any—							
		Common stock	Preferred stock	Membership certificates	Certificates of equity without maturity date	Certificates of equity with maturity date	Allocated capital credits	Unallocated reserves	Miscellaneous equity
Marketing - total	2,555	54.4	24.6	11.2	31.4	3.7	57.4	62.0	3.7
Cotton and cotton products	303	72.2	48.2	7.3	33.7	3.3	56.1	43.9	3.6
Dairy products	810	73.7	30.0	14.3	37.9	5.6	66.8	68.0	4.9
Fruits and vegetables . .	408	31.1	13.2	18.4	31.9	3.7	73.5	43.6	4.9
Grain and soybeans . .	316	92.4	33.2	2.2	44.6	3.2	64.6	60.8	3.8
Livestock	399	9.0	4.5	5.8	5.3	0.5	25.3	84.0	0.8
Poultry and eggs	53	49.1	28.3	30.2	41.5	5.7	66.0	50.9	5.7
Wool	109	2.8	1.8	4.6	5.5	—	14.7	90.8	0.9
Special crops and miscellaneous	157	47.8	29.3	14.0	45.9	5.7	63.1	43.3	(¹)
Marketing/farm supply - total	2,295	84.4	42.6	6.9	39.1	4.5	69.4	81.7	12.7
Cotton/farm supply . .	89	69.7	42.7	14.6	51.7	2.2	55.1	60.7	6.7
Dairy/farm supply . . .	182	90.1	28.6	4.9	28.6	4.4	78.6	83.0	2.7
Fruits and vegetables/farm supply	84	45.2	22.6	14.3	48.8	8.3	72.6	52.4	6.0
Grain/farm supply . . .	1,744	88.8	43.6	5.8	38.6	4.3	70.6	84.7	15.4
Livestock/farm supply . .	13	76.9	53.8	15.4	23.1	—	61.5	92.3	—
Poultry/farm supply . .	55	38.2	23.6	21.8	49.1	7.3	63.6	63.6	9.1
Special crops/farm supply	21	61.9	57.1	23.8	71.4	14.3	61.9	57.1	—
Diversified marketing/farm supply	107	75.7	71.0	4.7	37.4	3.7	48.6	84.1	1.9
Bargaining - total	310	5.5	2.9	7.4	16.1	4.8	32.3	75.8	1.9
Dairy	226	4.9	3.1	8.0	20.3	6.6	37.2	74.3	2.2
Poultry	9	—	—	11.1	—	—	—	100.0	—
Sugar beets	42	—	—	—	—	—	4.8	95.2	2.4
Fruits and vegetables . .	33	18.2	6.1	12.1	12.1	—	42.4	54.5	—
Farm supply	2,184	81.5	52.0	6.0	22.9	3.5	57.4	74.0	2.4
Service	192	46.4	34.4	7.3	17.2	3.1	40.6	59.9	7.3
Total	7,536	69.2	37.4	8.1	30.3	3.9	59.6	72.0	6.1

¹ Less than 0.05 percent.

cent reported equity certificates without maturity dates, and 57 percent reported allocated capital credits. Of the 2,184 associations in the farm supply group, 3.5 percent reported equity certificates with maturity dates, 23 percent reported equity certificates without maturity dates, and 57 percent reported allocated capital credits.

The 2,295 marketing/farm supply cooperatives reported that almost half their equity capital was in the form of equity certificates

and allocated capital credits. Of the 2,295 cooperatives, 4.5 percent reported equity certificates with maturity dates, 39 percent reported equity certificates without maturity dates, and 69 percent reported allocated capital credits.

Unallocated reserves accounted for 11 percent of the total equity capital of the 2,184 farm supply cooperatives and for less than 7 percent of total equity of the 2,555 marketing associations. Including the associations with

deficit balances, 74 percent of the farm supply group and 62 percent of the marketing group had some equity in an unallocated account.

Almost 82 percent of the 2,295 marketing/farm supply cooperatives reported unallocated reserves on their balance sheets. These reserves accounted for 14 percent of the total equity capital of this group.

Of the 310 bargaining cooperatives, only 5.5 percent had common stock and 3 percent had preferred stock. All capital stock of the bargaining cooperatives represented only 4 percent of their total member capital. Allocated capital other than stock accounted for 90 percent of total net worth of the bargaining associations. Less than 5 percent of the 310 cooperatives had maturity-dated equity certificates, 16 percent had equity certificates without maturity dates, and 32 percent had allocated capital credits. Three out of four of the bargaining cooperatives reported unallocated reserves, but such reserves amounted to only 6 percent of total equity of the bargaining cooperatives.

TYPES OF EQUITY CAPITAL OF MARKETING COOPERATIVES BY MAJOR COMMODITY GROUPS

When the local and regional cooperatives engaged in marketing activities were classified according to major commodity handled, the relative importance of various types of equity capital varied significantly (tables 17 and 18).

Common stock, for example, accounted for a much greater percentage of total equity capital in the grain and grain/farm supply cooperatives than in any other commodity groups. Common stock as a percentage of total equity capital accounted for as little as two to seven percent for the cooperatives marketing cotton, dairy, fruits and vegetables, livestock, wool, and poultry and eggs, compared with 29 percent for those marketing grain products.

Looking at the major commodity groups separately, common and preferred stock accounted for about 50 percent of total equity capital reported by the 316 cooperatives engaged primarily in marketing grain products, and for 42 percent of the equity of the 1,744 cooperatives marketing grain products and also

handling farm supplies. Over 92 percent of the grain marketing cooperatives reported some common stock and 33 percent reported some preferred stock. Of the grain marketing/farm supply group, 89 percent had common stock and almost 44 percent had preferred stock.

The grain marketing cooperatives had about 32 percent of their total equity in the form of equity certificates and allocated capital credits, and the grain marketing/farm supply group had 42 percent.

Unallocated reserves accounted for over 18 percent of the total equity in the primarily grain marketing group and for almost 16 percent for the grain marketing/farm supply group. The major reason these unallocated reserve percentages are relatively large is because of accelerated depreciation reserves on grain storage facilities. When these special reserves were carried as equity capital on the balance sheets of the cooperatives, they were included with unallocated reserves.

About 74 percent of the 810 dairy marketing cooperatives listed common stock on their balance sheets, but only 6 percent of their total equity capital was in the form of common stock. Thirty percent had some preferred stock, which accounted for 16 percent of total equity. The 182 dairy marketing/farm supply associations had 5 and 10 percent of their total equity in common and preferred stock, respectively. Most of the equity of these associations (74 percent for the primarily marketing group and 80 percent for the marketing/farm supply group) was listed on their balance sheets as equity certificates or allocated capital credits. The dairy marketing cooperatives had less than 4 percent of total equity in the form of unallocated reserves, and the dairy/farm supply group only 5 percent.

The 226 dairy cooperatives classified as primarily bargaining (but many of these were also engaged in handling and processing to some extent) had only 4 percent of their total equity in the form of capital stock. Equity certificates and allocated capital credits accounted for 90 percent of the total equity, and unallocated reserves for less than 6 percent.

The 408 fruit and vegetable marketing cooperatives listed only 8 percent of their total equity capital as stock--4 percent common and 4 percent preferred. The 84 associations classified as fruit and vegetable marketing/

farm supply had only 3 percent of total equity in the form of common stock and almost 9 percent was preferred. Thirty-one percent of the primarily marketing associations had some common stock and 13 percent had some preferred stock. Of the marketing/farm supply group, 45 percent had some common stock and nearly 23 percent had some preferred stock.

The bulk of equity capital of fruit and vegetable marketing cooperatives was in the form of equity certificates and allocated capital credits--89 percent for the primarily marketing group and almost 79 percent for the fruit and vegetable marketing/farm supply group.

The 303 cooperatives engaged primarily in marketing cotton and cotton products had less than 3 percent of their total equity capital in the form of common stock, but had 32 percent in the form of preferred stock. Of the 303 associations, 72 percent reported some common stock and 48 percent reported some preferred.

Of the 89 cotton marketing cooperatives that also handled farm supplies, 70 percent had some common stock and 43 percent had preferred. Common stock accounted for less than 3 percent of total equity, however, compared with almost 22 percent for preferred.

The bulk of total equity capital of the cotton marketing and the cotton marketing/farm supply cooperatives, not represented by preferred stock, was in the form of equity certificates and allocated capital credits. Unallocated reserves accounted for only 3 or 4 percent of the total.

Very few of the livestock cooperatives reported any capital stock. However, of the 399 cooperatives classified as livestock marketing, a large percentage were primarily engaged in livestock shipping or trucking, and these are often unincorporated and have very little capital of any kind.

Common and preferred stock accounted for 11 and 13 percent, respectively, of the total capital of the 399 livestock cooperatives. Certificates of equity and allocated capital credits accounts for about 59 percent and unallocated reserves for over 16 percent.

Only 13 cooperatives were classified as livestock marketing/farm supply. Detailed information regarding their equity capital is shown in tables 17 and 18.

Of the 109 cooperatives classified as wool marketing, the majority were small local or county wool pools with very little capital and a financial structure similar to that of livestock shipping associations. See tables 17 and 18 for detailed data.

TYPES OF EQUITY CAPITAL BY FARM CREDIT DISTRICTS

Kinds and amounts of equity capital reported by the 7,536 local and regional cooperatives are shown by farm credit districts in tables 19 and 20. Table 19 shows the percentage of total equity represented by the various types of equity capital, and table 20 shows the percentage of associations listing any of each type of equity capital on their balance sheets.

Capital stock ranged from less than 11 percent of total equity capital of the cooperatives located in the Berkeley district to 73 percent of it in the Louisville district.

Differences in type and amount of capital stock issued by associations in the various districts can be accounted for partly by differences in State cooperative and corporation laws. Associations with headquarters in the Wichita district, for example, issued primarily common stock. Preferred stock, on the other hand, was the predominant type issued by cooperatives located in the Houston and St. Louis districts.

Only 11 percent of the 396 cooperatives located in the Berkeley district reported any common stock, compared with 85 percent of the 537 associations located in the Louisville district. Common stock represented 8.5 percent of total equity capital of the cooperatives in the Berkeley district, and almost 45 percent of the total equity capital of cooperatives in the Louisville district.

A comparison of preferred stock reported by cooperatives located in these two districts is also interesting. Only 5 percent of the cooperatives in the Berkeley district reported preferred stock on their balance sheets, and total preferred stock accounted for only 2 percent of the total equity capital of the cooperatives in this district. Over two-thirds of the cooperatives located in the Louisville district reported preferred stock and the total preferred stock accounted for over 28 percent of total equity capital.

Table 19.—Combined equity capital of 436 regional and 7,100 local farmer cooperatives, by farm credit districts, at close of fiscal year 1962

Farm credit district	Number of associations	Total equity capital	Percentage of total equity capital represented by—							
			Common stock	Preferred stock	Membership certificates (nonstock)	Certificates of equity with maturity date	Certificates of equity without maturity date	Allocated capital credits	Unallocated reserves	Miscellaneous equity
		<i>1,000 dollars</i>	<i>Percent</i>							
Springfield . .	520	235,652	12.3	10.1	0.1	25.4	8.0	23.0	20.1	1.0
Baltimore . . .	428	162,974	18.7	31.8	0.4	3.6	19.6	12.8	13.1	(¹)
Columbia . . .	163	124,561	7.8	14.3	0.1	3.7	47.3	22.3	4.2	0.3
Louisville . . .	537	256,897	44.7	28.4	0.1	1.8	3.1	17.2	4.6	0.1
New Orleans . .	143	79,681	38.6	12.0	0.1	3.1	16.5	27.7	(1.2)	3.2
St. Louis . . .	615	295,293	10.8	39.8	0.1	5.4	7.0	20.1	16.8	(¹)
St. Paul . . .	2,200	619,638	23.7	20.6	0.1	3.1	20.8	26.7	4.9	0.1
Omaha	1,091	278,119	19.8	6.8	0.6	1.0	15.5	33.3	22.1	0.9
Wichita	561	254,662	38.3	8.6	0.3	0.8	13.4	14.8	23.8	(¹)
Houston	405	138,406	4.4	51.3	0.1	1.1	14.2	26.1	2.8	(¹)
Berkeley	396	372,446	8.5	2.1	0.6	0.6	34.2	45.2	6.7	2.1
Spokane	477	242,093	8.5	13.3	1.4	14.9	25.5	33.1	2.9	0.4
U.S. total . .	7,536	3,060,422	19.7	18.7	0.3	5.2	18.5	26.4	10.6	0.6

¹ Less than 0.05 percent.

Cooperatives with a relatively large percentage of their total equity capital in the form of capital stock obviously had a much smaller percentage represented by equity certificates

and allocated capital credits. The cooperatives located in the Louisville district had only 22 percent of their total equity in the form of equity certificates and allocated credits com-

Table 20.—Types of equity capital used by 7,536 farmer cooperatives (436 regional and 7,100 local), by farm credit districts, based on number of associations reporting any of each type of equity capital at close of fiscal year 1962

Farm credit district	Number of associations	Percentage of associations reporting any—							
		Common stock	Preferred stock	Membership certificates (nonstock)	Certificates of equity with maturity date	Certificates of equity without maturity date	Allocated capital credits	Unallocated reserves	Miscellaneous equity
		<i>Percent</i>							
Springfield . . .	520	67.3	43.5	2.1	2.3	13.1	23.1	84.6	1.9
Baltimore	428	53.0	50.0	4.9	3.5	38.3	47.4	78.7	2.1
Columbia	163	52.8	25.8	11.0	2.5	47.2	55.8	50.3	6.1
Louisville	537	85.1	68.7	4.3	3.2	24.8	68.3	79.5	7.8
New Orleans . . .	143	44.1	32.9	2.8	7.0	38.5	64.3	44.8	16.1
St. Louis	615	39.2	52.0	2.4	8.1	17.1	48.9	80.8	4.7
St. Paul	2,200	81.7	30.6	3.1	3.2	28.5	63.9	70.1	2.0
Omaha	1,091	76.6	29.0	17.7	3.6	33.6	74.6	85.2	21.1
Wichita	561	82.9	30.1	8.2	5.9	42.8	58.3	91.1	2.1
Houston	405	81.5	61.2	4.2	2.5	25.4	56.5	46.2	2.2
Berkeley	396	11.4	5.3	28.8	3.5	38.9	71.5	38.1	4.5
Spokane	477	63.3	33.8	17.0	4.4	39.4	54.1	52.4	4.4
U.S. total . .	7,536	69.2	37.4	8.1	3.9	30.3	59.6	72.0	6.1

pared with 80 percent of those located in the Berkeley district.

As reported in preceding sections of this report, major type of cooperative, or cooperatives, located in each district was also a factor in type of equity capital used. For example, capital stock accounted for a relatively small percentages of total equity capital of fruit and vegetable marketing cooperatives, and over 40 percent of all the fruit and vegetable marketing associations were located in the Berkeley district.

Certificates of equity with maturity dates accounted for 25 and 15 percent of total equity capital reported by cooperatives with headquarters in the Springfield and Spokane districts, respectively. Only a few cooperatives in each of these districts accounted for most of this type of capital, however. Of the 520 cooperatives in the Springfield district, only 2 percent reported any maturity-dated certificates as equity capital, and of the 477 associations in the Spokane district 4 percent reported this type of capital. Equity certificates with maturity dates were not used to any great extent by cooperatives in any of the other districts.

Certificates of equity without maturity dates, however, accounted for almost 47 percent of total equity capital of cooperatives located in the Columbia district, and for 34 percent of that of cooperatives in the Berkeley district.

Unallocated reserves ranged from a negative balance for cooperatives in the New Orleans district to almost 24 percent of total equity capital of cooperatives in the Wichita district.

EQUITY CAPITAL OF 7,100 LOCAL COOPERATIVES

The 7,100 local cooperatives supplying detailed data for this study reported total equity capital of \$1,568 million at the close of fiscal year 1962. Figure 4 shows percentages of total equity, by types, for all 7,100 local cooperatives.

Types of Equity Capital by Functional and Commodity Groups

The predominate types of equity capital reported by the 7,100 local cooperatives varied considerably according to their major func-

tion. Tables 21 and 22 show types of equity capital used by the local cooperatives separately by functional and commodity groups. Table 21 shows each type of equity as a percentage of total equity capital, and table 22 shows percentage of associations reporting any of each type of equity.

A comparison of equity capital as a percentage of total equity for the three major functional groups--marketing, marketing/farm supply, and farm supply--is shown in figure 5.

Marketing locals as a group used less capital stock and more equity certificates and allocated credits than the farm supply locals. Almost 72 percent of the \$462 million equity capital of the 2,325 marketing cooperatives was in the form of equity certificates and allocated capital credits compared with 28 percent of \$358 million in the 2,094 farm supply locals.

Common and preferred stock, on the other hand, were more prevalent in farm supply locals than in the marketing group. Farm supply associations had 35 percent of their equity in common stock and 21 percent in preferred, compared to less than 9 percent common and 14 percent preferred in the marketing locals.

The 2,247 local cooperatives engaged in both marketing and farm supply activities had total equity capital of \$720 million. Of this, about 22 percent represented common stock, 14 percent represented preferred stock, and over 46 percent represented equity certificates and allocated capital credits.

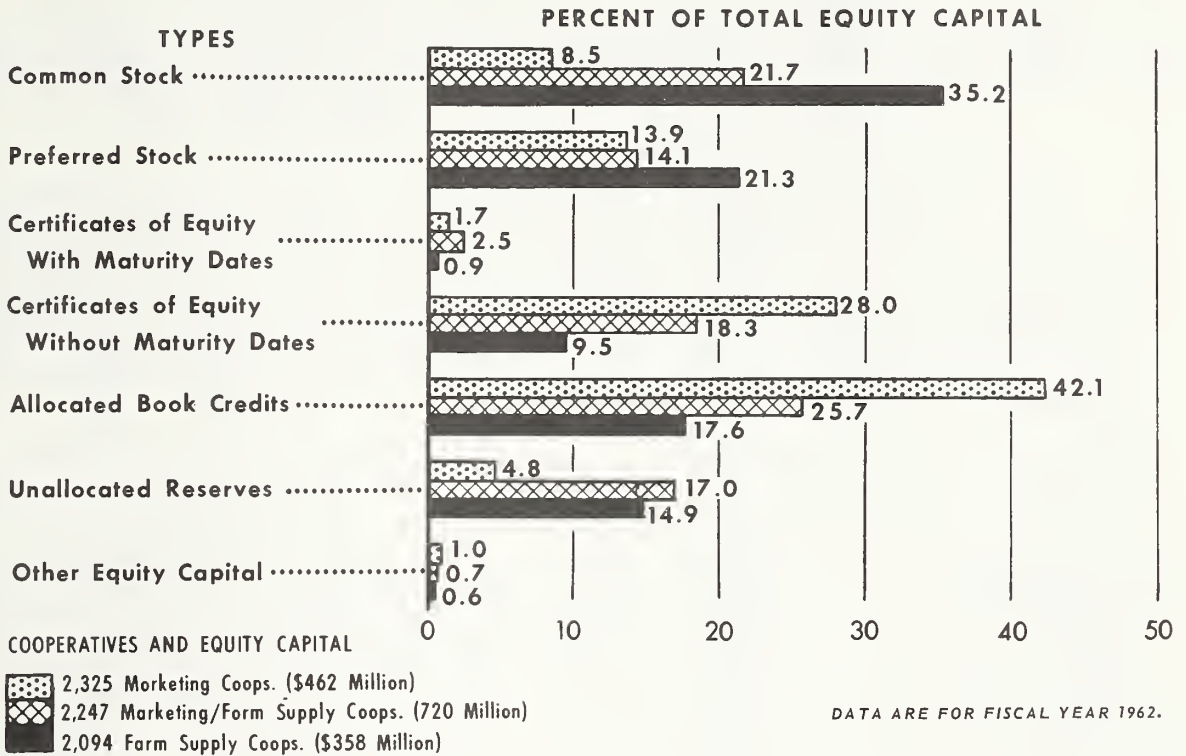
The 260 local bargaining cooperatives had combined equity capital of less than \$21 million. Only 5 percent of this was represented by capital stock, 83 percent by equity certificates and capital credits, and almost 12 percent by unallocated reserves.

The 174 local service cooperatives reported \$7 million total equity capital. Of this, 20 percent was in the form of common stock, 22 percent was preferred stock, almost 43 percent equity certificates and allocated capital credits, and over 14 percent unallocated reserves.

Within the marketing and bargaining groups of local farmer cooperatives, the types and amounts of equity capital varied by principal commodity handled. Tables 21 and 22 show

FIGURE 5

TYPES OF EQUITY CAPITAL, BY SELECTED TYPES OF LOCAL FARMER COOPERATIVES



equity capital of the 2,325 local marketing cooperatives, the 2,247 local marketing/farm supply cooperatives, and the 260 local bargaining cooperatives, used in this study, by commodity groups.

Cotton Cooperatives.--The 273 local cotton marketing associations had combined equity capital of \$51 million in 1962. Almost two-thirds of this equity capital was shown on the balance sheets of the cooperatives as equity certificates or allocated book credits. Another 26 percent of the total equity was in the form of preferred stock, which was used to some extent by about half of the 273 cooperatives. These two types of equity accounted for over 91 percent of the total equity capital of the cotton marketing cooperatives. Common stock was reported by 79 percent of the cooperatives, but was issued only in relatively small amounts as voting stock and represented less than 4 percent of total equity capital. Unallocated reserves were reported by 44 percent of the

cooperatives, but accounted for only 3 percent of the total equity capital outstanding.

As shown in tables 21 and 22, 89 local cotton marketing cooperatives also engaged in substantial farm supply business reported an equity capital structure in 1962 almost identical to that of the cotton marketing group just described.

Dairy Cooperatives.--The 757 local dairy marketing cooperatives reported equity capital of almost \$166 million, about 36 percent of the \$462 million total equity of the 2,325 local marketing associations reported in table 21. Approximately 71 percent of the total equity of the 757 local dairy marketing cooperatives appeared on the balance sheets of the associations as equity certificates or allocated book credits. Preferred stock accounted for 15 percent of the total, and common stock for 8 percent. Thirty percent of the associations reported some preferred stock and 3 out of 4

Table 21.—Types of equity capital used by 7,100 local cooperatives, by principal activity, based on percentage of total equity capital, fiscal year 1962

Classification of associations	Number of associations	Total equity capital	Percentage of total equity capital represented by—							
			Common stock	Preferred stock	Membership certificates	Certificates of equity without maturity date	Certificates of equity with maturity date	Allocated capital credits	Unallocated reserves	Miscellaneous equity
		<i>1,000 dollars</i>								
Marketing - total	2,325	461,716	8.5	13.9	0.5	28.0	1.7	42.1	4.8	0.5
Cotton and cotton products	273	51,015	3.9	25.8	0.1	31.1	1.4	33.1	3.1	1.5
Dairy products	757	165,756	8.4	15.1	0.2	29.3	2.5	38.9	5.2	0.4
Fruits and vegetables	378	117,803	4.2	5.7	0.8	26.3	0.1	60.6	1.5	0.8
Grain and soybeans	295	67,270	16.0	19.0	(¹)	20.5	0.5	31.6	12.3	0.1
Livestock	365	2,971	27.8	4.3	0.6	13.1	0.3	20.9	32.6	0.4
Poultry and eggs	47	13,358	10.1	8.5	4.8	40.1	5.8	26.8	3.8	0.1
Wool	94	83	—	—	2.4	—	—	1.5	96.1	—
Special crops and miscellaneous	116	43,460	12.9	11.8	0.1	33.1	3.9	36.9	1.3	(¹)
Marketing/farm supply - total	2,247	719,747	21.7	14.1	0.3	18.3	2.5	25.7	17.0	0.4
Cotton/farm supply	89	26,608	2.7	21.6	0.1	34.0	3.5	34.1	3.9	0.1
Dairy/farm supply	182	54,834	5.1	9.6	0.1	19.2	12.9	48.0	5.1	(¹)
Fruits and vegetables/farm supply	79	36,626	3.7	8.2	0.2	31.8	0.3	46.2	9.0	0.6
Grain/farm supply	1,723	546,197	26.9	13.9	0.3	15.4	1.5	22.1	19.5	0.4
Livestock/farm supply	13	3,203	6.2	28.9	1.0	15.7	—	21.4	26.8	—
Poultry/farm supply	43	14,411	8.6	2.5	5.2	55.0	0.2	19.5	8.7	0.3
Diversified marketing/farm supply	97	28,947	8.2	29.1	0.2	16.7	0.1	22.1	23.6	—
Special crops/farm supply	21	8,921	2.3	19.1	0.2	32.1	20.1	23.9	2.3	—
Bargaining - total	260	20,769	1.6	3.3	0.1	31.4	5.8	46.1	11.7	(¹)
Dairy	190	18,612	1.3	3.6	0.1	31.8	6.5	46.3	10.4	—
Poultry	9	30	—	—	7.1	—	—	—	92.9	—
Sugar beet	32	74	—	—	—	—	—	—	100.0	—
Fruits and vegetables	29	2,053	4.7	0.4	(¹)	29.3	—	46.1	19.5	—
Farm supply	2,094	357,995	35.2	21.3	0.5	9.5	0.9	17.6	14.9	0.1
Service	174	7,431	19.7	22.1	0.5	18.7	3.7	19.2	14.4	1.7
Total	7,100	1,567,658	20.6	15.6	0.4	19.3	1.9	28.9	12.9	0.4

¹ Less than 0.05 percent.

reported common stock. Unallocated reserves accounted for 5 percent of total equity, and 2 of every 3 associations listed unallocated capital on their balance sheets.

An additional 182 local cooperatives were marketing dairy products in 1962, but were also handling farm supplies. These 182 associations had combined equity capital of almost \$55 million. Of this amount, 80 percent was represented by equity certificates or allocated

capital credits, 5 percent by common stock, and nearly 10 percent by preferred stock. The other 5 percent was reported as unallocated reserves.

Tables 21 and 22 provide equity capital data for 190 local dairy cooperatives that were classified as bargaining associations. The majority of these associations were engaged only in bargaining for price and had very little capital of any kind. However, a few did report

Table 22.—Types of equity capital used by 7,100 local farmer cooperatives, by principal activity, based on number of associations reporting each type of equity, fiscal year 1962

Classification of associations	Number of associations	Percentage of associations reporting any—							
		Common stock	Pre-ferred stock	Member-ship certi-ficates	Certi-ficates of equity without maturity date	Certi-ficates of equity with maturity date	Allo-cated capital credits	Unallo-cated reserves	Miscel-laneous equity
Marketing - total	2,325	54.3	23.5	11.4	30.6	2.9	56.0	63.0	3.7
Cotton and cotton products	273	79.1	48.0	7.3	34.1	1.8	55.3	44.3	2.6
Dairy products	757	74.1	29.5	14.7	36.9	5.0	66.3	68.7	5.2
Fruits and vegetables	378	30.7	12.7	19.0	30.4	3.1	74.9	44.2	5.3
Grain and soybeans	295	92.9	30.5	2.4	45.8	2.0	65.1	60.7	3.4
Livestock	365	6.6	3.3	5.5	3.3	0.3	20.5	85.5	0.8
Poultry and eggs	47	48.9	25.5	29.8	42.6	4.3	61.7	51.1	6.4
Wool	94	—	—	4.3	—	—	2.1	98.9	—
Special crops and miscellaneous	116	42.2	26.7	13.8	50.0	3.4	59.5	42.2	3.4
Marketing/farm supply - total	2,247	68.3	42.5	6.7	39.1	4.2	69.5	81.9	12.8
Cotton/farm supply	89	69.7	42.7	14.6	51.7	2.2	55.1	60.7	6.7
Dairy/farm supply	182	90.1	28.6	4.9	28.6	4.4	78.6	83.0	2.7
Fruits and vegetables/farm supply	79	45.6	21.5	15.2	50.6	7.6	74.7	50.6	5.1
Grain/farm supply	1,723	89.0	43.5	5.7	38.6	4.1	70.5	84.8	15.5
Livestock/farm supply	13	76.9	53.8	15.4	23.1	—	61.5	92.3	—
Poultry/farm supply	43	41.9	23.3	14.0	46.5	7.0	65.1	65.1	11.6
Special crops/farm supply	21	61.9	57.1	23.8	71.4	14.3	61.9	57.1	—
Diversified marketing/farm supply	97	77.3	72.2	5.2	38.1	1.0	47.4	85.6	—
Bargaining - total	260	4.2	2.3	6.5	11.9	2.7	25.4	81.2	1.5
Dairy	190	3.7	2.1	7.4	14.7	3.7	28.9	80.0	2.1
Poultry	9	—	—	11.1	—	—	—	100.0	—
Sugar beet	32	—	—	—	—	—	—	100.0	—
Fruits and vegetables	29	13.8	6.9	6.9	10.3	—	37.9	62.1	—
Farm supply	2,094	81.6	52.2	6.0	23.1	3.0	57.6	74.1	1.9
Service	174	46.0	36.2	6.8	17.8	3.4	36.8	64.9	8.0
Total	7,100	70.1	37.5	8.0	30.1	3.4	59.2	73.0	6.1

marketing and processing activities along with their predominant bargaining function.

Combined equity capital of these 190 local dairy bargaining cooperatives amounted to less than \$19 million in 1962. Of this, nearly 85 percent was represented by equity certificates and allocated capital credits. Less than 4 percent was in the form of preferred stock, and only 1 percent was reported as common stock. Of the 190 associations, only 7 reported any common stock and only 4 any preferred stock. Eighty percent of the associations reported some unallocated reserves, but total un-

allocated capital amounted to only 10 percent of the total equity capital.

Fruit and Vegetable Cooperatives.—The 378 local fruit and vegetable marketing cooperatives had combined equity capital of \$118 million. Nearly 61 percent of this was represented by allocated capital credits, and 26 percent by equity certificates. Nearly 31 percent of the 378 associations reported some common stock, and 13 percent reported some preferred stock. However, common and preferred stock represented only 4 and 6 percent,

respectively, of total equity capital of the associations. Only 1.5 percent of total equity was in the form of unallocated reserves.

Equity capital of nearly \$37 million was reported by an additional 79 local fruit and vegetable marketing cooperatives that were also engaged in farm supply activities. Their equity capital structure, shown in tables 21 and 22, was similar to that of the 378 fruit and vegetable marketing associations just described. However, unallocated reserves reported by this group of marketing/farm supply locals represented 9 percent of the total equity capital, and allocated capital credits 46 percent, compared with 1.5 and 61 percent for the primarily marketing group just described.

The 29 local fruit and vegetable cooperatives engaged primarily in bargaining reported combined equity capital of \$2 million. Only 5 percent of this was represented by capital stock. Certificates of equity accounted for 29 percent and allocated capital credits for 46 percent. Almost 20 percent was reported as unallocated reserves.

Grain and Soybean Cooperatives.--Most of the local cooperatives engaged in grain marketing in 1962 were also doing a substantial farm supply business. Of the 2,018 local grain associations, 295 were classified as grain marketing and 1,723 as grain marketing/farm supply.

The grain marketing group had combined equity capital of \$67 million in 1962. Of this amount, 35 percent was represented by capital stock--16 percent common and 19 percent preferred. Over 30 percent of the cooperatives reported some preferred stock, and almost 93 percent reported some common. Nearly 53 percent of total equity capital was in the form of equity certificates or allocated capital credits. Over 12 percent was represented by unallocated reserves, but included with these reserves were substantial amounts listed as accelerated amortization of grain storage facilities.

Combined equity capital of the 1,723 grain marketing/farm supply locals in 1962 was \$546 million. Nearly 41 percent of this was represented by capital stock--27 percent as common and 14 percent as preferred. Over 43 percent of the 1,723 associations reported some preferred stock and 89 percent reported some

common. Equity certificates and allocated capital credits accounted for 39 percent of the total equity, and unallocated reserves for almost 20 percent. As indicated earlier for the 295 grain marketing locals, accelerated amortization of grain storage facilities accounted to a large extent for this relatively large unallocated reserves figure.

Livestock Cooperatives.--Local livestock marketing cooperatives, including those engaged only in livestock shipping, reported combined equity capital of less than \$3 million in 1962. (The livestock shipping associations actually used very little capital.) Of the 365 local livestock associations, less than 7 percent reported any common stock and only 3 percent reported any preferred. About 28 percent of total equity capital of the group was represented by common stock and 4 percent by preferred. Equity certificates and allocated capital credits accounted for 34 percent of total equity. Nearly one-third of total equity was represented by unallocated reserves. Many of the local livestock shipping associations reported 100 percent of their capital in unallocated reserve accounts.

An additional 13 local livestock marketing cooperatives were classified as livestock marketing/farm supply in tables 21 and 22. Their equity capital pattern was very similar to that of the livestock associations just described.

Wool Cooperatives.--Wool marketing by cooperatives is very frequently handled as a department of large diversified cooperatives. Of the 94 local wool cooperatives tabulated as a marketing group in tables 21 and 22, a majority were local or county wool pools with very little capital. The 94 associations had combined equity of only \$83,000 in 1962. They reported no capital stock or equity certificates. Most of their capital consisted of unallocated reserves. They operated very close to actual cost, and generally any over or under payment at the close of the year was too small an amount to warrant allocation.

Poultry and Egg Cooperatives.--Poultry and egg marketing is frequently handled as a departmental unit of other diversified marketing or farm supply cooperatives. For purposes of

this study, only 47 local cooperatives were classified as poultry and egg marketing and 43 as poultry and egg marketing/farm supply.

Total equity capital of the 47 in the poultry and egg marketing group was \$13 million. Of this, about 19 percent represented capital stock, 5 percent nonstock membership certificates, 73 percent equity certificates and allocated capital credits, and the other 4 percent unallocated reserves.

The 43 associations classified as poultry marketing/farm supply had combined equity capital of \$14 million. Of this, 11 percent was represented by capital stock, 5 percent by nonstock membership certificates, 75 percent by equity certificates and allocated capital credits, and 9 percent by unallocated reserves.

Cooperatives Marketing Special Crops.--Of the 116 local cooperatives marketing special crops shown in tables 21 and 22, 13 were handling nuts, 31 were handling rice, 19 were handling sugar and sugar products (not including sugar beets), and the other 53 were handling miscellaneous crops. Similarly, of the 21 associations classified as special crops marketing/farm supply in these tables 11 were marketing rice, 3 were marketing nuts, and 7 were marketing dry beans and peas.

The 13 local nut marketing cooperatives had combined net worth of \$6 million in 1962, and the 3 nut marketing/farm supply associations had an additional \$1 million. Equity capital of these associations consisted almost entirely of equity certificates and allocated capital credits.

The 31 local rice marketing associations reported \$12 million total equity capital. Approximately one-third of this was represented by capital stock and the other two-thirds by equity certificates and allocated capital credits. The \$6 million combined equity capital of the 11 local rice marketing/farm supply associations was one quarter in the form of capital stock and the other three quarters was reported as equity certificates and allocated capital credits.

Equity capital of \$17 million was reported by the 19 local cooperatives marketing sugar and sugar products (except sugar beets). Of this amount, 34 percent was represented by capital stock, 61 percent by equity certificates and

capital credits, and 5 percent by unallocated reserves.

The 32 local sugarbeet associations were primarily engaged in bargaining, mostly through regional associations. Data for these associations are shown separately in tables 21 and 22 under "bargaining"--not as part of "special crops." Their total equity capital amounted to only \$74,000 and this was all reported on their financial statements as unallocated reserves.

The seven associations marketing dry beans and peas and also handling farm supplies had combined equity capital of about \$2 million in 1962. Of this, 17 percent was represented by capital stock, 78 percent by equity certificates and allocated capital credits, and 4 percent by unallocated reserves.

The 53 local associations marketing other miscellaneous farm products had combined equity of \$8 million. Five percent of this was represented by capital stock, 2 percent by unallocated reserves, and the balance by equity certificates and allocated capital credits.

Diversified Marketing/Farm Supply Associations.--The 97 local associations classified as diversified marketing/farm supply had combined equity capital of about \$29 million in 1962. Of this, 37 percent was represented by capital stock--8 percent common and 29 percent preferred. Equity certificates accounted for 17 percent of the total equity capital and allocated capital credits for an additional 22 percent. The remaining 24 percent was listed as unallocated reserves.

Types of Equity Capital by Farm Credit Districts

Types of equity capital of the 7,100 local farmer cooperatives, based on percentage of total equity capital and on number of cooperatives reporting any of each type, are shown in tables 23 and 24 by farm credit districts.

These two tables correspond to tables 19 and 20 in which comparable data were presented for the 7,100 locals plus 436 regionals. Data presented in these tables for each farm credit district can easily be compared with that of other districts and with the U.S. total.

Table 23.—Types of equity capital of 7,100 local farmer cooperatives, by farm credit districts, based on percentage of total equity capital outstanding at close of fiscal year 1962

Farm credit district	Number of associations	Total equity capital	Percentage of total equity capital represented by—							
			Common stock	Preferred stock	Membership certificates (nonstock)	Certificates of equity with maturity date	Certificates of equity without maturity date	Allocated capital credits	Unallocated capital credits	Miscellaneous equity
		<i>1,000 dollars</i>	<i>Percent</i>							
Springfield . .	494	61,103	6.9	20.8	0.2	0.7	15.4	19.2	36.7	0.1
Baltimore . . .	404	79,784	15.4	31.8	0.7	3.7	21.8	14.7	11.8	0.1
Columbia . . .	135	42,413	11.6	13.0	0.2	0.3	45.0	25.4	4.4	0.1
Louisville . . .	492	138,442	46.4	23.3	0.1	1.0	5.2	16.8	7.0	0.2
New Orleans . .	124	29,973	3.8	17.6	0.3	0.6	21.4	52.0	1.1	3.2
St. Louis . . .	573	110,256	9.0	31.3	0.2	4.6	11.2	16.9	26.7	0.1
St. Paul . . .	2,124	341,760	33.8	10.7	0.1	2.3	19.8	26.7	6.5	0.1
Omaha . . .	1,047	220,974	17.7	6.2	0.8	0.6	13.4	36.4	23.8	1.1
Wichita . . .	542	174,548	25.6	10.4	0.4	0.7	19.0	19.2	24.7	(¹)
Houston . . .	380	90,765	6.2	45.1	0.1	1.7	19.4	23.7	3.8	(¹)
Berkeley . . .	341	133,212	1.9	1.6	1.4	0.7	32.1	60.3	1.8	0.2
Spokane . . .	444	144,428	13.0	11.8	0.4	5.5	27.5	37.5	3.6	0.7
U.S. total .	7,100	1,567,658	20.6	15.6	0.4	1.9	19.3	28.9	12.9	0.4

¹ Less than 0.05 percent.

Table 24.—Types of equity capital used by 7,100 local farmer cooperatives, by farm credit districts, based on number of associations reporting any of each type of equity capital outstanding at close of fiscal year 1962

Farm credit district	Number of associations	Percentage of associations reporting any—							
		Common stock	Preferred stock	Membership certificates (nonstock)	Certificates of equity with maturity date	Certificates of equity without maturity date	Allocated capital credits	Unallocated reserves	Miscellaneous equity
		<i>Percent</i>							
Springfield . .	494	68.8	44.3	2.0	1.6	12.1	20.4	87.0	1.8
Baltimore . . .	404	52.2	52.7	5.0	2.5	38.9	46.3	79.7	2.0
Columbia . . .	135	49.6	23.7	12.6	2.2	48.9	55.6	53.3	5.2
Louisville . . .	492	86.6	70.1	3.7	2.8	26.0	67.7	81.1	8.5
New Orleans . .	124	47.6	33.1	3.2	4.8	41.1	62.9	41.9	16.9
St. Louis . . .	573	39.8	52.7	2.1	7.2	16.6	46.2	82.5	4.5
St. Paul . . .	2,124	81.7	30.0	3.1	2.9	28.3	63.3	70.6	1.9
Omaha . . .	1,047	77.7	29.6	17.5	3.2	33.3	75.5	85.7	21.5
Wichita . . .	542	84.5	30.6	7.7	5.4	43.0	58.5	91.1	2.0
Houston . . .	380	82.1	60.8	4.2	2.4	26.1	55.3	46.8	2.1
Berkeley . . .	341	9.7	3.5	31.1	2.6	35.2	74.2	37.0	4.1
Spokane . . .	444	65.1	35.4	16.9	3.2	39.2	54.1	52.3	4.3
U.S. total . .	7,100	70.0	37.5	8.0	3.4	30.1	59.2	73.0	6.1

¹ Less than 0.05 percent.

Methods of Acquiring Equity Capital of Local Cooperatives

The members and patrons of the 7,100 local cooperatives acquired their shares of

equity capital by three methods: purchase, capital retains, and investment of patronage refunds. Two of these methods, and occasionally all three, were usually used by the same association.

Capital retains are those investments made by patrons in compliance with a bylaw provision or membership agreement. The agreement authorizes the cooperative to make a specified deduction for capital purposes from advances to patrons based on physical units handled (bushel, hundredweight, dozen, and so on) or a percentage of sales returns.

Retained patronage refunds are savings or margins realized in operations and held by cooperative associations as additions to capital. These deferred payments are often returned to patrons on a revolving fund basis.

When total unallocated reserves of \$202 million (which were primarily undistributed net savings or margins) and miscellaneous equity of \$5 million were subtracted from total equity capital of the 7,100 local farmer cooperatives in 1962, total "allocated" equity capital of \$1,360 million remained. This represents the amount of total equity capital that had been purchased by or allocated to individual members and patrons. Amounts and percentages of this allocated equity capital acquired by each method are shown by major function of the associations and by commodity classification in table 25.

Approximately two-thirds of the total allocated equity capital reported by the 7,100 locals (\$1,360 million) was acquired by retention of patronage refunds for payment at some future date. An additional 13 percent of the total was acquired by a combination of selling securities outright and retaining patronage refunds. This combination method was generally reported by the associations that required members to buy one or more shares of equity capital when they joined the association and to increase their number of shares over the years by reinvesting patronage refunds in the equities of the association.

Six percent of the total allocated equity capital of the local associations was acquired by capital retains from members' sales proceeds. An additional 4 percent was acquired by the combined method of making capital retains and retaining patronage refunds. Capital retains, as a means of acquiring capital, was used primarily by farmers' marketing associations, and was relatively insignificant with farm supply cooperatives. Of the 7,100 local cooperatives, 755 associations, or 10.6

percent, acquired some portion of their capital by capital retains.

The local associations acquired 9 percent of their total allocated equity capital by selling stock and certificates of equity outright to members and patrons and occasionally to others. The other 1 percent of allocated equity was acquired by various combinations of the three methods mentioned, or the method was not reported (see table 25).

Figure 6 shows the methods used to acquire allocated equity capital separately for the 2,325 local marketing cooperatives, the 2,247 local marketing/farm supply cooperatives, and the 2,094 local farm supply cooperatives. Comparable data are shown in figure 7 for four groups of local marketing cooperatives, and detailed data for these and all other functional and commodity groups are presented in table 25.

The 2,094 local farm supply cooperatives had allocated equity capital of \$304 million in 1962. Sixty-three percent of this was acquired by refunds retained for deferred payment; over 12 percent was purchased outright, primarily by members and patrons; and, an additional 23 percent was acquired by a combination of both purchase and retention of refunds. The balance, less than 2 percent of the total amount, was acquired by a combination of several methods, or the method was not reported.

Capital retains as a method of acquiring capital was insignificant with the farm supply locals--only 44 of the 2,094 associations acquired any equity capital by this method.

The 2,325 local marketing cooperatives reported almost \$437 million in allocated equity capital. Of this, 62 percent was acquired by retaining patronage refunds, 6 percent by outright purchase, and 7 percent by both purchase and retention of refunds.

The marketing locals acquired almost 15 percent of their equity capital by means of capital retains, and an additional 10 percent by a combination of methods including some use of the capital retain method. Of the 2,325 associations, 511--or almost 22 percent--acquired some portion of their equity capital by capital retains.

As shown in table 25, the principal method or methods used to acquire equity capital was not the same for all commodity groups of local

Table 25.—Methods of acquiring allocated equity capital of 7,100 local farmer cooperatives classified by principal activity, shown by percentage of total allocated equity acquired by each method, fiscal year 1962

Classification of associations	Number of associations	Total allocated equity	Percentage of total allocated equity acquired by—							
			Purchase	Capital retains	Refunds retained	Purchase and capital retains	Purchase and refunds retained	Capital retains and refunds retained	Purchase, capital retains, and refunds retained	Method not re- ported
		<i>1,000 dollars</i>				<i>Percent</i>				
Marketing - total	2,325	436,924	6.1	14.7	62.2	0.5	7.0	8.3	1.1	0.1
Cotton and cotton products	273	48,656	4.3	1.6	86.3	0.3	6.9	0.6	—	—
Dairy products	757	156,480	4.1	5.7	72.0	0.5	6.8	9.4	1.5	—
Fruits and vegetables . . .	378	115,119	6.6	40.9	36.5	0.3	3.5	11.5	0.3	0.4
Grain and soybeans . . .	295	58,939	4.0	0.1	74.4	1.2	15.6	4.2	0.3	0.2
Livestock	365	1,991	29.3	—	52.2	—	18.5	—	—	—
Poultry and eggs	47	12,831	5.9	9.3	55.8	0.4	1.4	15.4	11.8	—
Wool and mohair	94	3	61.4	30.3	8.3	—	—	—	—	—
Special crops and miscellaneous	116	42,905	16.3	13.7	53.7	0.7	6.5	8.3	0.8	—
Marketing/farm supply - total	2,247	594,470	9.1	2.6	73.3	0.1	12.5	1.8	0.3	0.3
Cotton/farm supply . . .	89	25,542	3.4	3.2	87.0	(¹)	5.1	1.3	—	—
Dairy/farm supply	182	52,029	1.6	1.5	80.9	0.2	4.6	10.8	0.4	—
Fruits and vegetables/ farm supply	79	33,124	5.4	34.8	51.5	(¹)	1.1	6.9	0.3	—
Grain/farm supply	1,723	437,495	9.9	0.3	73.5	0.1	14.9	0.5	0.3	0.5
Livestock/farm supply . .	13	2,346	23.8	0.1	53.1	—	23.0	—	—	—
Poultry/farm supply . . .	43	13,112	10.1	2.2	84.0	0.1	3.6	—	—	—
Diversified marketing/ farm supply	97	22,110	21.7	—	61.8	—	14.3	2.2	—	—
Special crops/farm supply	21	8,712	7.1	10.3	79.3	—	3.3	—	—	—
Bargaining - total	260	18,331	3.0	14.5	36.1	(¹)	(¹)	41.2	1.7	3.5
Dairy	190	16,678	2.6	7.3	39.1	(¹)	(¹)	45.3	1.9	3.8
Poultry	9	2	100.0	—	—	—	—	—	—	—
Sugar beets	32	0	—	—	—	—	—	—	—	—
Fruits and vegetables . . .	29	1,651	6.3	87.3	6.4	—	—	—	—	—
Farm supply	2,094	304,418	12.4	0.2	63.1	0.1	22.9	0.2	0.4	0.7
Service	174	6,234	39.2	7.9	35.7	0.9	14.1	2.2	—	—
Total	7,100	1,360,377	8.9	6.1	66.8	0.2	12.9	4.1	0.6	0.4

¹ Less than 0.05 percent.

marketing cooperatives. For example, the capital retain method was used extensively by cooperatives marketing fruits and vegetables, nuts, and wool; but, use of this method of financing was relatively insignificant with the cotton, grain, rice, and livestock marketing associations. Approximately one out of four of the cooperatives marketing dairy products acquired some portion of their equity capital

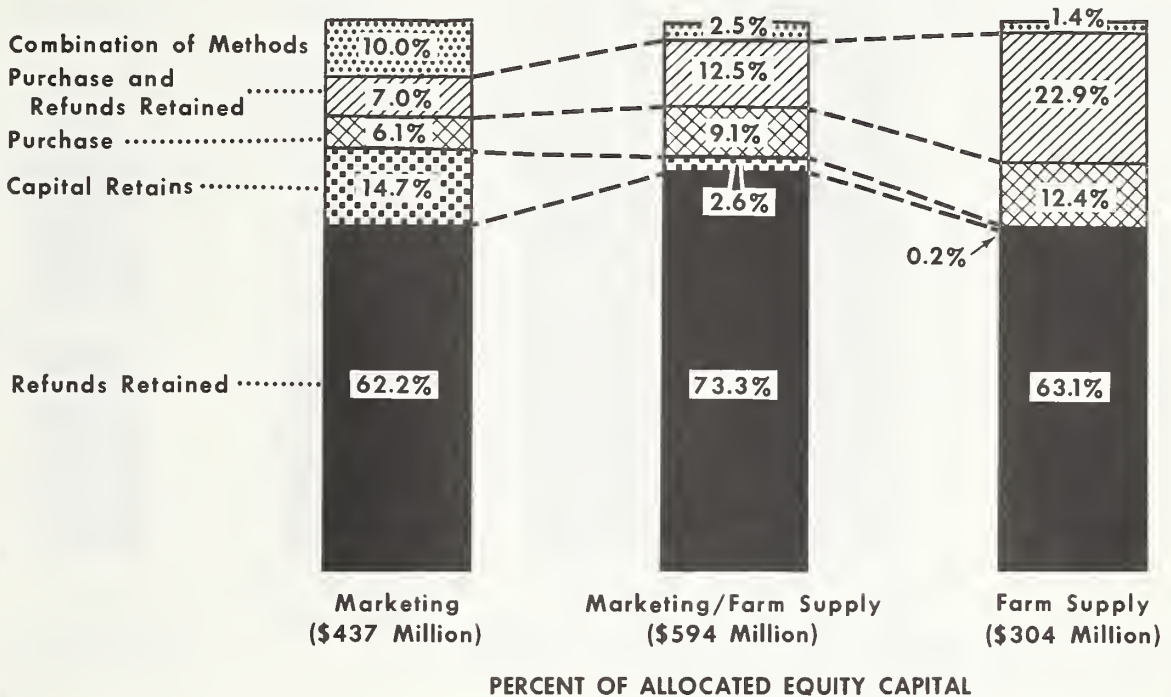
by means of capital retains, but of total allocated equity capital of the dairy and dairy/farm supply groups, roughly 5 percent was acquired by the capital retain method exclusively and 10 percent by the combined use of capital retains and refunds retained.

The 2,247 local marketing/farm supply cooperatives reported combined allocated equity capital of over \$594 million in 1962. This group

FIGURE 6

Major Groups of Local Cooperatives, Fiscal Year 1962

METHODS OF ACQUIRING ALLOCATED EQUITY CAPITAL



was heavily weighted with grain marketing/farm supply associations--roughly three-fourths of the associations and three-fourths of the total capital--so that the commodity group classifications should be examined separately in table 25.

Total allocated equity capital of the 1,723 grain marketing/farm supply associations totaled over \$437 million. Approximately 10 percent of this was acquired by outright purchase, and an additional 15 percent by both purchase and refunds retained. Over 73 percent was acquired entirely by refunds retained. Less than 1 percent of the total allocated equity was acquired by capital retains, and only 56 of the associations, slightly over 3 percent of the group, acquired any capital by this method.

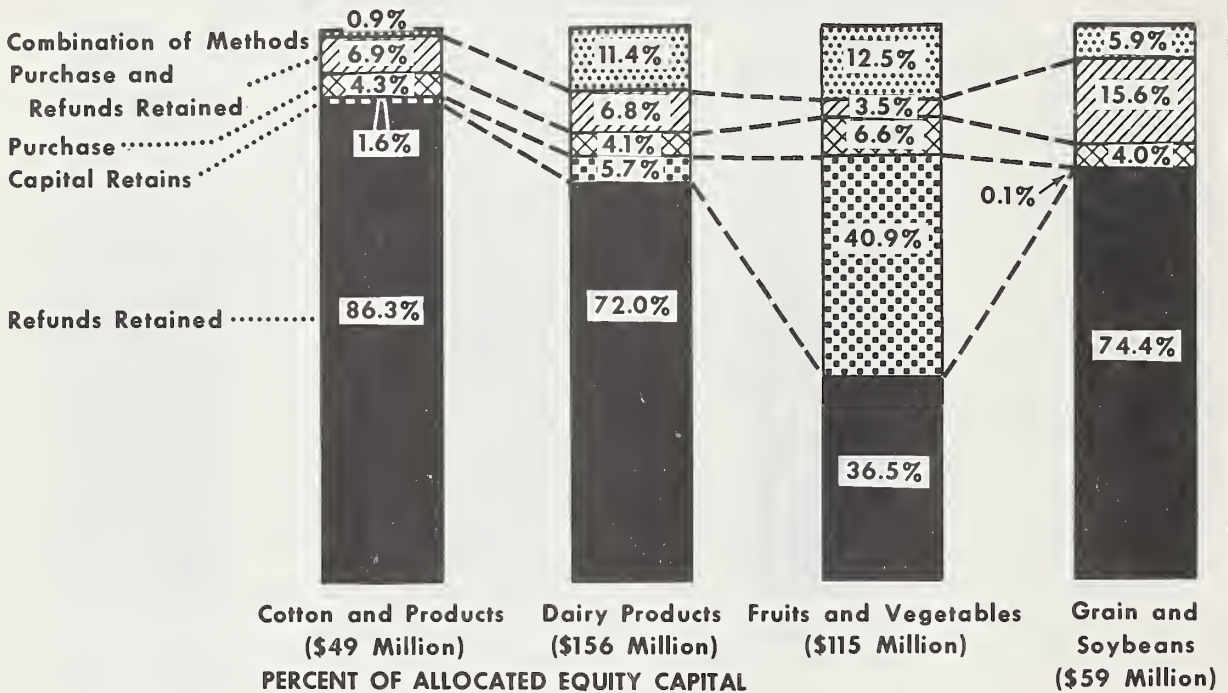
Methods used by the 7,100 local cooperatives to acquire equity capital are shown in table 26 by farm credit districts. Some farm products are grown in almost every state, and, of course, farm supplies are needed in all states, but other products (fruits and vegetables, for example) are grown predominately in a few states. Therefore, there is a definite relationship between methods of acquiring equity capital in certain geographic areas and the major types of cooperatives located in these areas. Types of cooperatives with headquarters located in each State and farm credit district are shown in table 3.

Most of the local fruit and vegetable marketing cooperatives are located in California and Florida, so, since the capital retain system

FIGURE 7

Major Groups of Marketing Locals, Fiscal Year 1962

METHODS OF ACQUIRING ALLOCATED EQUITY CAPITAL



of financing is most prevalent in the fruit and vegetable cooperatives, it is not surprising that the largest percentages of equity capital acquired by the capital retain method appeared in the Berkeley and Columbia farm credit districts.

The importance of each method used to acquire equity capital varied not only according to the major function and geographic location of the associations but also according to type of equity. Table 27 shows how patrons acquired common stock, preferred stock, nonstock certificates of equity with and without maturity dates, and allocated capital credits. These types of equity, plus membership certificates (nonstock), unallocated reserves, and miscellaneous equity, accounted for the total equity capital of the 7,100 local cooperatives.

Data are not shown in table 27 for unallocated reserves because they resulted almost entirely from refunds retained. Miscellaneous equity is not included because it was not allocated to members and patrons, and appeared on the balance sheets of the cooperatives primarily through donations, adjustments, etc.

Nonstock membership certificates are held by individual members, but are not reported separately in table 27 because they accounted for only 0.4 of 1 percent of total equity. Membership certificates, totaling \$6 million were acquired by members of the 568 locals that reported them by direct purchase (43 percent), by retained patronage refunds (15 percent), and by the combination of these two methods (27 percent). The remaining 15 percent of the total equity of this type was acquired by capital

Table 26.—Methods of acquiring allocated equity capital of 7,100 local farmer cooperatives by farm credit districts, shown by percentage of total allocated equity acquired by each method, fiscal year 1962

Farm credit districts	Number of associations	Total allocated equity	Percentage of total allocated equity acquired by—							
			Purchase	Capital retains	Refunds retained	Purchase and capital retains	Purchase and refunds retained	Capital retains and refunds retained	Purchase, capital retains, and refunds retained	Method not reported
		<i>1,000 dollars</i>								
Springfield . . .	494	38,584	33.5	4.5	47.2	0.3	4.9	4.9	4.2	0.5
Baltimore . . .	404	70,611	15.8	5.6	48.7	0.4	18.4	9.5	1.2	0.4
Columbia . . .	135	40,498	14.9	20.4	53.4	0.6	5.1	5.5	—	0.1
Louisville . . .	492	128,552	20.3	0.7	63.4	0.1	12.6	2.0	0.2	0.7
New Orleans . .	124	28,685	9.6	1.6	70.4	1.7	4.4	10.5	1.3	0.5
St. Louis . . .	573	80,693	29.5	0.6	50.9	0.7	14.8	1.3	0.2	2.0
St. Paul . . .	2,124	319,365	3.4	0.5	78.7	0.1	16.1	0.5	0.6	0.1
Omaha . . .	1,047	165,953	6.8	1.9	74.3	0.2	14.3	1.5	0.9	0.1
Wichita . . .	542	131,422	3.0	1.5	76.0	0.1	15.7	2.1	0.8	0.8
Houston . . .	380	87,290	4.7	0.1	81.3	0.1	11.2	2.1	0.4	0.1
Berkeley . . .	341	130,566	2.8	38.2	39.8	(¹)	1.8	16.9	—	0.5
Spokane . . .	444	138,158	3.6	7.8	68.0	0.1	15.1	5.2	0.2	(¹)
U.S. total . .	7,100	1,360,377	8.9	6.1	66.8	0.2	12.9	4.1	0.6	0.4

¹ Less than 0.05 percent.

retains (12 percent) and a combination of all methods mentioned.

Common Stock

The 7,100 local cooperatives had \$323 million, almost 21 percent of their total equity capital, in the form of common stock in 1962. Seventy percent of the associations (4,974) reported some outstanding common stock. Over 55 percent of the common stock was acquired solely by retaining refunds. About 8 percent was purchased outright by members, patrons, and others; and another 33 percent was acquired by members and patrons through the combined method of purchase and refunds retained. Less than 1 percent was acquired by patrons as a result of capital retains made by the cooperatives. The other 3 percent was acquired by a combination of all the methods mentioned.

Table 27 shows how common stock was acquired when the associations were classified by major function. Common stock of the 1,263 local marketing associations using common stock totaled \$39 million. Almost 28 percent of it was purchased outright; over 26

percent was acquired by retaining refunds; 27 percent by the combined method of purchase and retained refunds; less than 4 percent resulted from capital retains; 7 percent was acquired by the combined method of capital retains and retained refunds; and the remaining 8 percent by a combination of these methods.

Outstanding common stock of the 1,912 local marketing/farm supply associations with common stock amounted to \$156 million. Of this, 60 percent was acquired by retaining refunds, another 32 percent by purchase and retaining refunds, 6 percent by outright purchase, only 0.4 percent by capital retains, and the remaining 2 percent by a combination of all methods mentioned.

Common stock of the 1,708 farm supply locals using common stock amounted to \$126 million. Of this, 59 percent was acquired entirely by retaining refunds; less than 4 percent was acquired entirely by purchase; 36 percent was acquired by the combined method of purchase and retaining refunds; and the remaining 1 percent by a combination of these methods.

Common stock of the local bargaining cooperatives was acquired almost entirely by

Table 27.—Methods of acquiring various types of equity capital of 7,100 local farmer cooperatives, by principal activity, with percentage of total equity of each type acquired by each method, fiscal year 1962

Type of equity capital and type of association	Number of associations with each type equity	Total amount of each type equity	Percentage of total equity of each type acquired by—						
			Purchase	Capital retains	Refunds retained	Purchase and refunds retained	Capital retains and refunds retained	Purchase, capital retains, and refunds retained	Method not reported
		<i>1,000 dollars</i>	<i>Percent</i>						
Common stock - total	4,974	323,175	7.9	0.8	55.3	32.7	1.1	1.7	0.5
Marketing	1,263	39,401	27.6	3.6	26.5	27.2	7.2	6.6	1.3
Marketing/farm supply . .	1,912	155,977	5.8	0.4	60.2	31.7	0.2	1.2	0.5
Bargaining	11	335	99.1	—	0.5	0.4	—	—	—
Service	80	1,463	54.2	—	1.4	44.4	—	—	—
Farm supply	1,708	125,999	3.5	0.3	59.0	35.6	0.3	0.9	0.4
Preferred stock - total	2,666	244,201	34.8	2.4	34.9	22.8	2.5	1.7	0.9
Marketing	547	64,106	20.0	5.1	43.0	18.2	7.8	5.7	0.2
Marketing/farm supply . .	956	101,442	38.6	2.3	37.3	19.8	0.8	0.2	1.0
Bargaining	6	677	1.1	25.3	12.0	—	61.6	—	—
Service	63	1,640	86.1	—	4.0	6.3	—	3.6	—
Farm supply	1,094	76,336	41.5	0.1	25.7	30.8	(¹)	0.3	1.6
Equity certificates with maturity dates - total .	238	30,251	13.9	3.2	49.1	9.9	19.9	0.2	3.8
Marketing	68	7,696	3.9	9.8	64.1	19.8	1.7	0.7	—
Marketing/farm supply . .	94	17,909	17.5	0.3	43.2	7.2	30.5	—	1.3
Bargaining	7	1,211	0.2	13.7	0.2	—	33.9	—	52.0
Service	6	279	60.9	—	39.1	—	—	—	—
Farm supply	63	3,156	19.2	—	65.3	5.9	0.6	—	9.0
Equity certificates without maturity dates - total .	2,135	302,861	1.4	8.4	81.7	3.2	4.9	0.3	0.1
Marketing	712	129,452	1.2	13.2	71.2	5.2	8.7	0.5	—
Marketing/farm supply . .	878	131,493	1.4	5.1	91.0	1.7	0.6	0.1	0.1
Bargaining	31	6,523	3.0	15.5	37.2	—	39.5	4.8	—
Service	31	1,387	2.4	35.5	47.0	9.1	6.0	—	—
Farm supply	483	34,006	1.8	0.4	96.4	1.2	0.1	—	0.1
Allocated capital credits - total	4,200	453,502	—	10.3	84.3	—	5.4	—	(¹)
Marketing	1,303	194,203	—	20.4	71.0	—	8.6	—	—
Marketing/farm supply . .	1,561	185,216	—	3.0	95.2	—	1.8	—	—
Bargaining	66	9,568	—	13.7	43.0	—	43.3	—	—
Service	64	1,427	—	—	96.5	—	3.5	—	—
Farm supply	1,206	63,088	—	0.1	99.5	—	0.4	—	(¹)

¹ Less than 0.05 percent.

outright purchase, and that of the local service associations by purchase and refunds retained. See table 27.

Preferred Stock

At the close of fiscal year 1962, nearly 16 percent of total equity capital of the 7,100 local cooperatives was in the form of preferred stock. Total preferred stock outstanding amounted to nearly \$244 million. Over 37 per-

cent of the local cooperatives reported some preferred stock.

Members, patrons, and others purchased outright 35 percent of the preferred stock outstanding. They acquired another 23 percent through the combined method of purchase and refunds retained. Almost 35 percent of the total was acquired entirely by patrons as a result of reinvesting their annual patronage refunds with the cooperatives. Two percent resulted from capital retains. The other 5 percent was acquired by a combination of these methods.

Preferred stock was used more extensively by farm supply locals than by local cooperatives engaged in marketing or other functions. Table 27 shows how preferred stock was acquired by the local cooperatives when they were classified according to major function.

The 1,094 local farm supply cooperatives with any outstanding preferred stock in 1962 had combined preferred stock of \$76 million (table 27). Of this amount, over 41 percent was purchased outright, 26 percent represented retained refunds, and 31 percent was acquired by a combination of purchase and retained refunds. The balance was acquired by other combination methods or the source was not reported.

Preferred stock of the 547 marketing locals with any outstanding in 1962 totaled \$64 million. Twenty percent of this was purchased, 43 percent represented retained refunds, and another 18 percent was acquired by a combination of these two methods. Five percent was acquired by capital retains and almost 8 percent by both capital retains and refunds retained. The other 6 percent was acquired by all three methods combined.

Preferred stock totaling over \$101 million was reported by the 956 local marketing/farm supply cooperatives reporting any equity of this type outstanding in 1962. Almost 39 percent of this preferred stock was acquired by outright purchase, 37 percent was acquired by re-investing patronage refunds, and 20 percent was acquired by a combination of these two methods. Two percent resulted from capital retains, an additional one percent from other combination methods, and the source of the remaining one percent was not reported.

Methods used to acquire preferred stock by the relatively few local bargaining and service cooperatives are also shown in table 27.

Equity Certificates with Maturity Dates

Of the 7,100 local cooperatives, 238 reported some equity certificates with maturity dates outstanding in 1962. Total capital of this type amounted to only \$30 million, less than 2 percent of total equity capital of the cooperatives.

Over 49 percent of the equity certificates carrying fixed maturity dates was acquired by refunds retained, 3 percent by capital retains, and 14 percent by purchase. Twenty

percent was acquired by a combination of capital retains and retained refunds, and 10 percent by purchase and retained refunds. Method of acquiring was not reported for the other 4 percent of this capital.

Table 27 shows methods of acquiring maturity-dated certificates by the local cooperatives when classified by major functions.

Equity Certificates without Maturity Dates

Of the 7,100 locals, 2,135 listed certificates of equity without maturity dates on their 1962 balance sheets. Total equity of this type amounted to \$303 million--19 percent of total equity capital of the local cooperatives.

Almost 82 percent of the certificates of equity without a fixed due date was acquired by refunds retained. Eight percent was acquired by capital retains. An additional 5 percent was acquired by both capital retains and refunds retained, 3 percent by purchase and refunds retained, and less than 2 percent by purchase.

Patrons of farm supply locals acquired their equity certificates without a fixed due date almost entirely by refunds retained (table 27).

Patrons of marketing locals acquired 71 percent of their equity of this type by the refunds retained method, but 13 percent was acquired as a result of capital retains, and 9 percent by both capital retains and retained refunds. One percent was purchased outright and an additional 5 percent was acquired by both purchase and refunds retained. The balance was acquired by a combination of all the methods.

The marketing/farm supply locals reported that 91 percent of their outstanding equity certificates without maturity dates resulted from refunds retained. Five percent was acquired by use of capital retains. All other methods accounted for the remaining 4 percent.

Allocated Capital Credits

Nearly 60 percent of the 7,100 local cooperatives listed allocated capital credits on their balance sheets at the close of fiscal year 1962. Equity capital in the form of allocated credits amounted to almost \$454 million.

Over 84 percent of these book credits was acquired by members and patrons of the co-operatives through the process of reinvesting patronage refunds for cash redemption at some future date; 10 percent was acquired by capital retains from sales proceeds; and the other 6 percent by a combination of these two methods.

Patrons of the local farm supply, marketing/farm supply, and service cooperatives acquired their allocated book credits almost entirely by reinvesting patronage refunds, but patrons of the marketing and bargaining associations acquired a portion of their capital credits by capital retains from sales proceeds. See table 27.

Dividends and Interest on Equity Capital of Local Cooperatives

The question of whether members and patrons should receive dividends or interest on the money they have invested in their co-operatives is one on which there is considerable disagreement. Some of the local cooperatives followed the policy in 1962 of paying no returns on any outstanding equity capital. A few provided at least a modest rate of return on all member equity. Many, however, took a middle-of-the-road approach and paid interest or dividends on some types of equity, but not on others.

Table 28.—Interest and dividend rates on various types of equity capital of 7,100 local farmer cooperatives, by principal activity, with percentage of total equity of each type bearing interest at each rate, fiscal year 1962

Type of equity capital and type of association	Number of associ- ations with each type equity	Total amount of each type equity	Percentage of total equity of each type with interest rates of—							
			0 percent	1 or 2 percent	3 percent	4 percent	5 percent	6 percent	Over 6 percent	Rate not reported
		<i>1,000 dollars</i>	<i>Percent</i>							
Common stock - total . . .	4,974	323,175	60.1	4.0	5.9	16.7	6.9	4.9	1.4	0.1
Marketing	1,263	39,401	44.5	5.1	3.9	20.6	12.6	7.6	5.5	0.2
Marketing/farm supply . .	1,912	155,977	46.1	5.8	8.8	23.9	8.9	5.3	1.0	0.2
Bargaining	11	335	33.9	—	—	—	—	66.1	—	—
Service	80	1,463	78.9	—	3.5	0.8	1.2	14.9	0.7	—
Farm supply	1,708	125,999	82.1	1.4	3.0	6.7	2.8	3.3	0.6	0.1
Preferred stock - total . . .	2,666	244,201	29.1	3.5	5.2	19.3	20.2	20.1	2.2	0.4
Marketing	547	64,106	36.4	5.6	5.2	11.4	24.0	14.0	3.3	0.1
Marketing/farm supply . .	956	101,442	28.9	3.1	5.5	31.2	16.5	12.9	1.8	0.1
Bargaining	6	677	88.0	—	—	—	7.7	—	4.3	—
Service	63	1,640	23.5	—	0.5	9.6	28.0	32.6	5.8	—
Farm supply	1,094	76,336	22.8	2.2	5.1	10.3	22.1	34.7	1.6	1.2
Equity certificates with maturity dates - total	238	30,251	37.4	2.2	13.0	18.0	24.3	4.5	(¹)	0.6
Marketing	68	7,696	65.1	2.1	8.6	19.0	4.4	0.8	—	—
Marketing/farm supply . .	94	17,909	19.9	2.1	16.2	21.5	33.6	5.8	(¹)	0.9
Bargaining	7	1,211	60.2	—	0.8	0.2	33.9	4.9	—	—
Service	6	279	69.8	—	2.0	28.2	—	—	—	—
Farm supply	63	3,156	57.2	4.1	11.3	1.4	18.9	6.3	—	0.8
Equity certificates without maturity dates - total	2,135	302,861	88.0	1.6	1.3	4.9	3.2	0.8	0.2	(¹)
Marketing	712	129,452	83.6	2.9	1.1	6.9	4.8	0.6	0.1	—
Marketing/farm supply . .	878	131,493	92.0	0.5	2.0	2.9	2.1	0.3	0.2	—
Bargaining	31	6,523	83.1	6.1	—	7.8	—	3.0	—	—
Service	31	1,387	99.0	—	—	0.9	0.1	—	—	—
Farm supply	483	34,006	89.5	0.2	0.2	4.5	2.1	3.1	0.1	0.3

¹ Less than 0.05 percent.

In deciding whether to pay dividends on equity capital, much should depend, first, on how the capital was acquired, and second, on whether it is held by members and patrons on a proportional basis. If investment by individual members is not in proportion to patronage, some realignment is needed.⁵ If realignment is not feasible, dividends may be warranted.

A greater percentage of equity capital represented by preferred stock and certificates of equity with fixed maturity dates was interest bearing than that of other types of equity capital. Table 28 and the sections to follow compare and discuss interest and dividend rates on most types of allocated equity.

Of the 568 local cooperatives with nonstock membership certificates listed on their 1962 balance sheets, all but eleven indicated the certificates were noninterest bearing. Over 98 percent of the total equity capital classified as membership certificates was noninterest bearing.

Equity capital of the local cooperatives in the form of allocated capital credits likewise was almost 100 percent noninterest bearing. However, seven of the local associations did report some interest-bearing book credits.

Three out of every four dollars farmers had invested in their local cooperatives in 1962 were noninterest bearing. Only 0.6 of 1 percent of the total amount carried an interest rate of over 6 percent per annum, and only 16 of the 7,100 cooperatives reported an interest rate on any equity capital exceeding 8 percent.

Table 29 shows, by functional and commodity groups, the rates of return paid on total "allocated" equity capital of \$1,360 million reported by the 7,100 local cooperatives. Unallocated reserves and miscellaneous equity, amounting to \$207 million, are not included in this total. "Allocated" equity, represented by capital stock, membership certificates, certificates of equity, and allocated book credits--the kinds of equity that are interest bearing in some of the cooperatives--are included in tables 28 and 29. Table 29 shows that

26 percent of "allocated" equity of the local cooperatives was interest bearing.

Five percent of the total allocated equity capital carried an interest rate of 1, 2, or 3 percent; 9 percent of the total carried a rate of 4 percent; nearly 7 percent was bearing interest of 5 percent; another 5 percent of the total carried a 6 percent rate; and, less than 1 percent carried a rate exceeding 6 percent.

A comparison of interest and dividend rates of the locals when grouped by major function and commodity classification shows that the farm supply and marketing/farm supply cooperatives paid some dividends on a higher percentage of their total allocated equity than the primarily marketing cooperatives did (table 29).

The 2,094 farm supply locals reported that nearly 72 percent of their allocated equity capital (\$304 million) was noninterest bearing in 1962. An interest rate of 1 or 2 percent was reported for 1 percent of the capital; a rate of 3 percent for 3 percent of the capital; a rate of 4 percent for 6 percent of the capital; a rate of 5 percent for 7 percent of the capital; a rate of 6 percent for 10 percent of the capital; and, a rate of over 6 percent for the remaining 1 percent of the total allocated equity capital.

Almost 80 percent of the total allocated equity capital (\$437 million) of the 2,325 marketing locals was listed as noninterest bearing by the cooperatives. Only 4 percent of the total amount of the marketing locals carried an interest rate of 6 percent or over compared with 11 percent of the total amount for the farm supply locals. Interest and dividend rates for the marketing locals, and the marketing/farm supply locals, are shown by commodity groups in table 29.

A comparison of interest and dividend rates of total allocated equity capital for the 7,100 local cooperatives is shown by farm credit districts in table 30. The percentage of total allocated equity that was noninterest bearing ranged from 35 percent in the St. Louis district to almost 90 percent in the Berkeley district.

Dividend Rates on Common Stock

Common stock is used by cooperatives to a large extent as voting stock, in which case each

⁵ Griffin, Nelda. How Adjustable Revolving Fund Capital Plan Works. U.S. Dept. Agr., Farmer Cooperative Serv., Gen. Rpt. 111, April 1963.

Table 29.—Interest and dividend rates on total allocated equity capital of 7,100 local farmer cooperatives, by principal activity, shown by percentage of allocated equity with each rate, fiscal year 1962

Classification of associations	Number of associations	Total allocated equity	Percentage of total allocated equity of each type with interest rates of—							
			0 percent	1 or 2 percent	3 percent	4 percent	5 percent	6 percent	Over 6 percent	Rate not reported
		<i>1,000 dollars</i>	<i>Percent</i>							
Marketing - total	2,325	436,924	79.7	2.2	1.8	6.1	6.3	2.9	1.0	(¹)
Cotton and cotton products	273	48,656	86.2	1.4	0.1	2.0	3.0	2.7	4.6	—
Dairy products	757	156,480	76.8	3.8	2.8	6.4	6.6	3.2	0.4	—
Fruits and vegetables . .	378	115,119	87.4	0.6	0.9	2.2	6.6	1.8	0.5	—
Grain and soybeans . . .	295	58,939	73.6	2.1	2.1	6.1	10.7	4.2	0.9	0.3
Livestock	365	1,991	66.9	—	—	2.2	3.1	9.8	18.0	—
Poultry and eggs	47	12,831	83.3	—	0.2	4.4	4.3	7.8	—	—
Wool	94	3	100.0	—	—	—	—	—	—	—
Special crops and miscellaneous	116	42,905	70.4	2.2	2.2	20.8	2.6	1.8	(¹)	—
Marketing/farm supply - total	2,247	594,470	69.4	2.2	4.3	12.9	6.6	3.9	0.6	0.1
Cotton/farm supply . . .	89	25,542	84.2	3.7	0.2	4.8	1.7	4.6	0.8	—
Dairy/farm supply	182	52,029	82.1	0.7	1.9	7.1	7.9	0.3	(¹)	(¹)
Fruits and vegetables/farm supply	79	33,124	91.8	—	3.1	0.5	3.5	0.8	0.3	—
Grain/farm supply	1,723	437,495	65.8	2.7	4.8	15.7	7.2	3.3	0.4	0.1
Livestock/farm supply . .	13	2,346	58.1	—	—	3.7	30.4	6.7	1.1	—
Poultry/farm supply . . .	43	13,112	85.3	1.1	—	9.3	1.7	2.6	(¹)	—
Diversified marketing/farm supply	97	22,110	55.6	—	2.5	3.9	4.2	30.2	3.6	—
Special crops/farm supply	21	8,712	62.7	—	18.5	9.1	4.0	1.6	4.1	—
Bargaining - total	260	18,331	89.7	2.2	(¹)	2.8	2.5	2.6	0.2	—
Dairy	190	16,678	88.7	2.4	(¹)	3.1	2.7	2.9	0.2	—
Poultry	9	2	100.0	—	—	—	—	—	—	—
Sugar beets	32	—	—	—	—	—	—	—	—	—
Fruits and vegetables . .	29	1,651	100.0	—	—	—	—	—	—	—
Farm supply	2,094	304,418	71.6	1.2	2.6	5.9	7.1	10.5	0.7	0.4
Service	174	6,234	73.3	—	1.0	4.2	7.7	12.1	1.7	—
Total	7,100	1,360,377	73.5	2.0	3.0	9.0	6.6	5.1	0.7	0.1

¹ Less than 0.05 percent.

member is generally required by the bylaws to own one or more shares. However, the major portion of equity capital in the form of common stock was issued as other than voting stock, primarily as deferred patronage refunds. Generally only the voting class of common stock was permanent capital. Most other classes were issued and retired on a revolving fund basis.

The local cooperatives included in this study had \$323 million, nearly 21 percent of their total equity capital, in the form of common stock in 1962 (table 28). As indicated in table

28, dividends were not paid on 60 percent of this stock. Almost 27 percent of the stock paid dividends of 1 percent to less than 5 percent annually; 12 percent paid 5 or 6 percent; and the remaining 1 percent paid over 6 percent.

Of the 7,100 local cooperatives, 70 percent, or 4,974, reported some equity capital in the form of common stock in 1962. Some of the associations had only one class of common stock--others had several. Of the cooperatives with outstanding common stock, two-thirds (68 percent) reported some noninterest bearing

Table 30.—Interest and dividend rates on total allocated equity capital of 7,100 local farmer cooperatives, by farm credit districts, shown by percentage of allocated equity with each rate, fiscal year 1962

Farm credit district	Number of associations	Total allocated equity	Percentage of total allocated equity capital of each type with interest rates of—							
			0 percent	1 or 2 percent	3 percent	4 percent	5 percent	6 percent	Over 6 percent	Rate not reported
		<i>1,000 dollars</i>	<i>Percent</i>							
Springfield	494	38,584	56.9	0.6	1.5	6.9	3.6	29.1	1.4	—
Baltimore	404	70,611	47.8	1.9	1.1	8.0	16.9	24.0	0.1	0.2
Columbia	135	40,498	82.2	—	2.6	2.6	4.3	7.3	1.0	—
Louisville	492	128,552	58.8	2.0	3.5	20.1	5.9	9.1	0.5	0.1
New Orleans	124	28,685	83.0	—	0.8	3.5	4.6	6.5	1.6	—
St. Louis	573	80,693	35.4	2.7	5.8	19.9	24.9	8.0	2.5	0.8
St. Paul	2,124	319,365	84.7	1.4	2.9	6.6	2.4	1.7	0.2	0.1
Omaha	1,047	165,953	77.6	1.8	3.3	8.7	6.8	1.3	0.5	(¹)
Wichita	542	131,422	68.2	2.2	5.2	18.0	4.5	1.5	0.2	0.2
Houston	380	87,290	75.9	4.8	2.7	5.9	4.4	1.7	4.3	0.3
Berkeley	341	130,566	89.5	3.1	0.8	0.6	5.4	0.4	0.2	—
Spokane	444	138,158	80.3	1.3	3.3	3.3	7.0	4.6	0.2	(¹)
U.S. total . . .	7,100	1,360,377	73.5	2.0	3.0	9.0	6.6	5.1	0.7	0.1

¹ Less than 0.05 percent.

common stock. Two percent of the associations (97) reported dividend rates of 1 or 2 percent on some of their common stock. Four percent of the associations (197) reported some common stock outstanding with a 3 percent dividend rate. The most prevalent rate was 4 percent, reported for some common stock by almost 12 percent of the associations (570). Five and 6 percent dividend rates were reported by 6 and 7 percent of the associations (306 and 339), respectively. Only 2 percent of the 4,974 local associations (113) reported any common stock with a dividend rate exceeding 6 percent.

Dividend Rates on Preferred Stock

Preferred stock of local cooperatives was usually nonvoting stock. Purchase of this stock was generally not required for membership in the cooperatives. Cooperatives issued preferred stock primarily to increase operating capital. However, many of the cooperatives issued preferred stock to patrons as patronage refunds rather than paying cash or allocating the patronage refunds as book credits.

Over \$244 million, almost 16 percent of total equity capital of the local cooperatives, was in the form of preferred stock in 1962.

Dividends were not paid on 29 percent of this preferred stock. Nine percent of the preferred stock paid dividends of 1 percent but less than 4 percent annually. As shown in table 28, dividend rates of 4, 5, and 6 percent were most prevalent for the cooperatives paying any dividends on preferred stock. Approximately 60 percent of the total preferred stock carried a rate of either 4, 5, or 6 percent. Only 2 percent of all preferred stock carried a dividend rate exceeding 6 percent.

Of the 7,100 local cooperatives, 2,666, or almost 38 percent, reported some preferred stock outstanding in 1962. Over 28 percent of the cooperatives (760) with outstanding preferred stock reported some nondividend bearing stock. Only 67 associations reported any preferred stock with dividend rates of 1 or 2 percent, and 172 associations reported any with a 3 percent rate. Twenty-five percent of the cooperatives (678) reported some preferred stock with a dividend rate of 4 percent; nearly 17 percent (444 associations) reported some with a 5 percent rate; and, 26 percent of the associations (690) reported some with a 6 percent rate. Only 3 percent of the cooperatives (97) reported any preferred stock with a dividend rate exceeding 6 percent.

Interest Rates on Certificates of Equity with Maturity Dates

Certificates of equity with maturity dates amounted to only \$30 million and accounted for less than 2 percent of total equity capital reported by the 7,100 local cooperatives in 1962.

As shown in table 28, 37 percent of this equity capital was noninterest bearing. Another 2 percent bore interest of only 1 or 2 percent annually. Thirteen percent carried a rate of 3 percent, and 18 percent carried a rate of 4 percent. Nearly a quarter of the total equity of this type carried a 5 percent interest rate, and the remaining 5 percent of the total carried a 6 percent rate.

There were 238 local cooperatives, or 3 percent of the 7,100 that reported some maturity-dated equity certificates in 1962. Almost half of these 238 associations reported that their certificates were noninterest bearing. An additional 11 percent of the associations reported interest rates on maturity-dated certificates of 1, 2, or 3 percent. Twelve percent of the 238 cooperatives reported an interest rate of 4 percent, and 20 percent of the group reported a 5 percent interest rate. A 6 percent rate was reported by only 16 of the associations, and only one association reported

maturity-dated certificates with an interest rate of 8 percent.

Interest Rates on Certificates of Equity without Maturity Dates

Nineteen percent of total equity capital of the 7,100 local cooperatives was represented by equity certificates without maturity dates in 1962. Of the \$303 million equity of this type, 88 percent was noninterest bearing. About 3 percent carried an interest rate of 1, 2, or 3 percent. Five percent of the total carried a rate of 4 percent, and 3 percent carried a rate of 5 percent. Less than 1 percent of these certificates carried a rate of 6 percent or over.

Thirty percent (2,135) of the 7,100 local associations reported some outstanding equity capital represented by certificates of equity without maturity dates. Of these 2,135 associations, 90 percent reported some noninterest bearing equity certificates. Only 2 percent reported certificates bearing interest of 1, 2, or 3 percent, and 7 percent reported interest rates of 4 or 5 percent. Only 36 of the associations reported any equity of this type with an interest rate of 6 percent or more.

BORROWED CAPITAL

Lack of capital and too small a capital structure are continuing complaints of many farmer cooperatives. Are these cooperatives relying too heavily on internal or equity financing to meet their financial needs? In some cases, we believe, they are. A surprisingly large number of farmer cooperatives, 3,204, indicated that they used no borrowed capital during 1962. Many of these should perhaps be growing and expanding their services by using some borrowed capital along with member capital.

Total outstanding borrowed capital of all 8,522 farmer cooperatives at the close of fiscal year 1962 amounted to \$1,032 million. Of these cooperatives, 59 percent reported

borrowed capital outstanding at the close of the fiscal year.⁶

Seasonal or short-term borrowings, unless they happened to be outstanding at the close of the fiscal year, are not included in these figures. In an effort to determine annual peak borrowings, the cooperatives were asked to report separately for each loan not only the amount owed at the end of the fiscal year but

⁶ These figures exclude CCC loans to tobacco cooperatives. Twelve regional tobacco cooperatives which were originally included in this study were later dropped because their primary function was to administer the price support program for tobacco in their area, with the use of CCC funds.

also the maximum amount owed during the year, including short-term or seasonal loans that had been paid in full before the close of the fiscal year. Total peak borrowings of \$1,565 million were reported. Of the 8,522 cooperatives, 62 percent reported some borrowed capital used during the year.

the year, by source of funds, and by functional and commodity classification of the cooperatives, are shown in table 31. Any duplication caused by intercooperative borrowing has not been eliminated from these figures. However, capital borrowed from other farmer cooperatives is shown separately in all the tables.

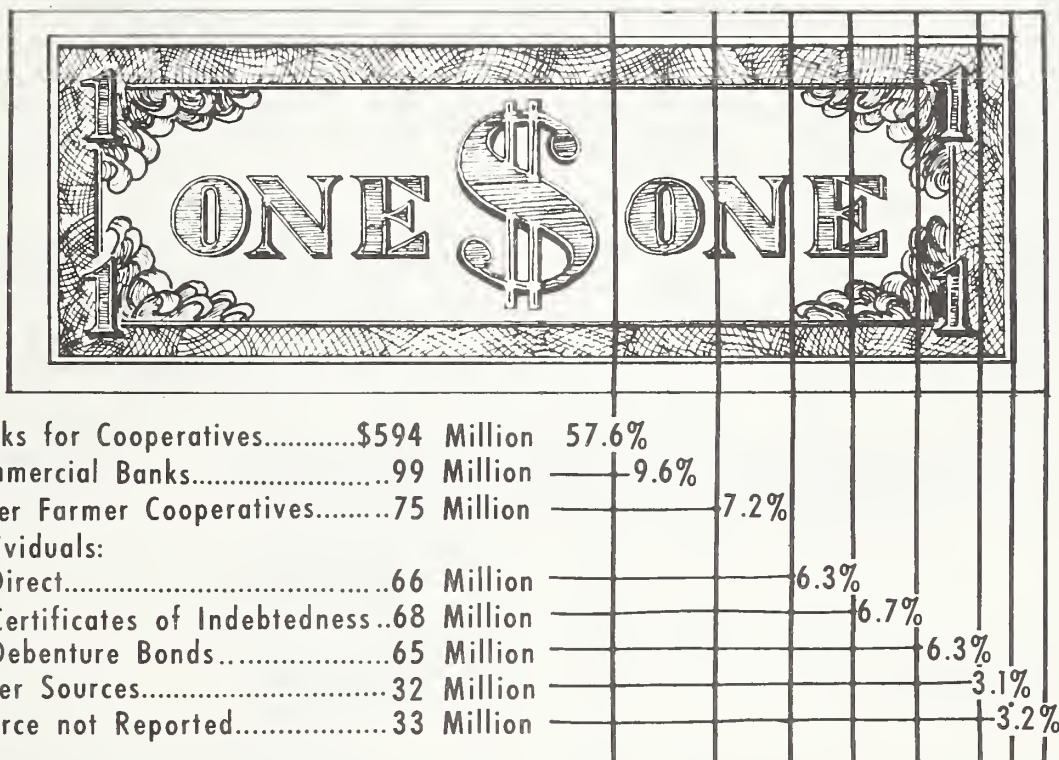
FIGURE 8

8,522 Farmer Cooperatives

SOURCES OF BORROWED CAPITAL

Based on Amounts Outstanding at Close of Fiscal Year 1962

\$1,032 Million



**SOURCES OF BORROWED
CAPITAL OF 8,522
COOPERATIVES**

Sources of total borrowed capital appearing on balance sheets of the 8,522 cooperatives at the close of their 1962 fiscal years are shown in figure 8. Similar data based on total amount of peak borrowed capital used during

Banks for cooperatives were the most important source of credit for the cooperatives. The cooperative banks accounted for nearly 58 percent of borrowed capital outstanding at the close of the fiscal year, and for 60 percent of total peak borrowings during the year. Of the 5,318 cooperatives using borrowed capital during the year, about half obtained some funds from the banks for cooperatives.

Table 31.—Sources of borrowed capital of 8,522 farmer cooperatives, by principal activity, with percentage of maximum amount owed during fiscal year 1962 obtained from each source

Classification of associations	Number of associations with borrowed capital	Maximum amount of borrowed capital outstanding during the fiscal year	Percentage of total borrowed capital obtained from—							
			Banks for cooperatives	Commercial banks	Individuals			Other farmer cooperatives	Other sources	Source not reported
					Direct	Certificates of indebtedness	Debenture bonds			
		<i>1,000 dollars</i>				<i>Percent</i>				
Marketing - total	1,445	724,361	63.2	21.8	5.4	1.2	1.2	2.6	3.0	1.6
Cotton and cotton products	300	119,678	65.0	25.2	1.5	0.1	0.2	5.7	1.7	0.6
Dairy products	460	94,030	55.1	19.6	9.2	6.6	1.4	1.1	1.3	5.7
Fruits and vegetables	260	230,239	55.3	27.0	9.6	0.3	0.3	1.5	5.4	0.6
Grain and soybeans	223	122,564	79.8	10.3	2.4	1.3	3.3	1.6	0.3	1.0
Livestock	44	10,158	22.2	12.1	0.4	1.7	19.3	36.4	0.3	7.6
Poultry and eggs	36	11,115	64.4	18.9	0.2	—	—	8.2	7.8	0.5
Wool and mohair	10	12,977	89.6	2.3	1.4	(¹)	1.9	4.8	—	—
Special crops and miscellaneous	112	123,600	66.1	25.0	2.8	(¹)	0.1	0.4	3.8	1.8
Marketing/farm supply - total	2,018	561,037	62.6	11.0	4.0	5.2	7.7	4.0	2.4	3.1
Cotton/farm supply	101	10,414	82.0	3.1	4.0	0.1	—	8.7	1.4	0.7
Dairy/farm supply	103	9,378	43.3	28.7	6.8	1.4	5.0	1.1	7.3	6.4
Fruits and vegetables/farm supply	74	19,103	64.0	18.4	2.4	0.3	2.6	3.2	7.6	1.5
Grain and soybeans/farm supply	1,557	362,736	65.0	5.5	5.2	6.4	9.3	3.1	2.1	3.4
Livestock/farm supply	10	1,244	36.4	10.1	2.8	34.1	—	5.0	—	11.6
Poultry/farm supply	46	28,001	70.6	13.1	1.0	(¹)	0.5	1.8	5.3	7.7
Diversified marketing/farm supply	110	127,497	53.7	24.2	1.4	4.2	6.5	7.3	1.4	1.3
Special crops/farm supply	17	2,662	76.6	15.2	3.4	3.2	1.1	—	0.5	—
Bargaining - total	76	35,741	58.0	19.3	1.8	0.2	3.9	2.2	3.2	11.4
Dairy	64	34,306	59.1	18.4	1.9	0.2	4.0	2.2	2.3	11.9
Sugar beet	1	60	—	—	—	—	—	—	100.0	—
Fruits and vegetables	11	1,375	31.6	44.6	—	—	—	0.7	22.0	1.1
Farm supply	1,708	240,098	43.8	4.7	4.1	13.7	6.2	22.0	2.6	2.9
Service	71	3,667	35.9	15.7	9.8	(¹)	29.9	0.5	3.2	5.0
Total	5,318	1,564,904	59.8	15.2	4.6	4.6	4.4	6.1	2.7	2.6

¹ Less than 0.05 percent.

Commercial banks furnished the cooperatives with nearly 10 percent of their borrowed capital outstanding at the close of the fiscal year, and with 15 percent of peak borrowings during the year. About 30 percent of the cooperatives using any borrowed capital during the year obtained some of it from commercial banks.

Individuals were also a major source of credit for the cooperatives. They obtained capital from individuals by direct loans, or through the sale or issuance of certificates of indebtedness and debenture bonds. Debt securities of various

types issued to individuals accounted for 19 percent of borrowed capital outstanding at the close of the fiscal year, and for nearly 14 percent of peak borrowings during the year.

Other farmer cooperatives supplied 7 percent of the borrowed capital of the farmer cooperatives outstanding at the end of the fiscal year, and 6 percent of their peak borrowings during the year. Funds borrowed from other farmer cooperatives were reported by about 20 percent of the associations using any borrowed funds.

All other sources of credit combined accounted for only 3 percent of total borrowed capital of the cooperatives. Other sources included primarily insurance companies, marketing and supply companies, State farm organizations, credit unions, and employee trust funds.

SOURCES OF BORROWED CAPITAL OF 7,536 LOCAL AND REGIONAL COOPERATIVES

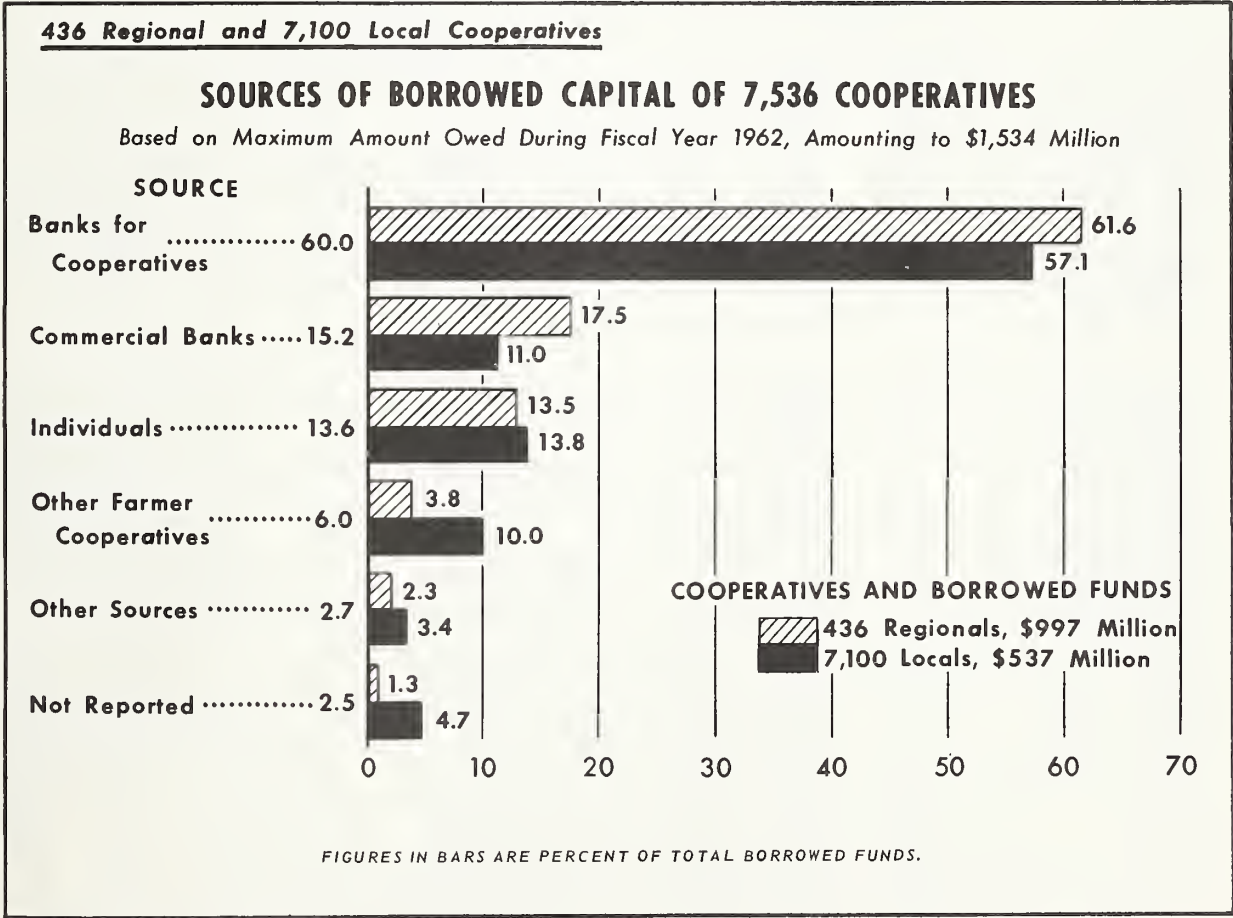
As previously indicated, a detailed questionnaire was not provided by 986 of the local associations included in this study. According to individual estimates made for each of these nonrespondents, 492 used some borrowed capital in 1962. Their total borrowed capital was estimated to be approximately \$31 million.

Detailed data on amounts and sources of borrowed capital were available for 7,100 local associations and 436 regional associations. The following information is limited to data from these 7,536 local and regional associations, excluding the 986 local non-respondents.

Figure 9 shows amounts and sources of borrowed capital for the 7,536 cooperatives separately for the 436 regionals and the 7,100 locals, based on maximum amount owed during fiscal year 1962.

Banks for cooperatives supplied 60 percent of the \$1,534 million total borrowed capital. Only 31 percent of the 7,536 associations borrowed any capital from the cooperative banks during the year, but nearly 49 percent of those using any borrowed capital obtained all or a portion of it from the cooperative banks. The regionals obtained almost 62 percent of their borrowed funds from the cooperative banks compared with 57 percent for

FIGURE 9



the locals. Of the 436 regionals, 328 used borrowed capital, and 72 percent of these, or 236 associations, borrowed some capital from the cooperative banks. Of the 7,100 locals, 4,498 used borrowed capital during the year, and 47 percent of these, or 2,110 associations, reported borrowings from the cooperative banks.

The regional cooperatives also obtained a larger percentage of their total borrowings during the year from commercial banks than local associations did--over 17 percent compared with 11 percent. Thirty-five percent of the regionals with any borrowed capital obtained some from commercial banks compared

with 28 percent of the locals with any borrowed funds.

Individuals supplied approximately 14 percent of borrowed capital used by both the regional and local groups. Direct loans from individuals were reported by 70 regional associations and by 854 locals. Certificates of indebtedness were reported by only 21 regionals compared with 450 locals. And, debenture bonds were sold as a source of capital by 46 of the regional associations and by 228 of the locals.

Other farmer cooperatives were an important source of capital for the local associations. Of the 7,100 locals, 946 reported

Table 32.--Sources of borrowed capital of 7,536 farmer cooperatives, by principal activity, with percentage of borrowed capital outstanding at close of fiscal year 1962 obtained from each source

Classification of associations	Number of associations with borrowed capital	Amount of borrowed capital outstanding at close of fiscal year	Percentage of borrowed capital obtained from--							
			Banks for cooperatives	Commercial banks	Individuals			Other farmer cooperatives	Other sources	Source not reported
					Direct	Certificates of indebtedness	Debenture bonds			
		<i>1,000 dollars</i>					<i>Percent</i>			
Marketing - total	1,175	388,649	64.3	14.0	8.8	1.9	2.1	2.5	4.1	2.3
Cotton and cotton products	239	46,683	71.9	15.7	3.5	0.2	0.4	3.6	3.5	1.2
Dairy products	372	64,422	57.6	14.0	10.3	8.3	1.5	0.9	1.4	6.0
Fruits and vegetables	212	134,857	61.6	13.8	15.0	0.3	0.5	1.2	6.7	0.9
Grain and soybeans	182	67,486	80.7	3.3	3.9	2.3	5.8	2.1	0.4	1.5
Livestock	42	7,908	18.7	8.3	0.2	2.2	24.1	38.2	0.3	8.0
Poultry and eggs	30	5,256	64.7	10.9	0.4	—	—	9.2	14.4	0.4
Wool and mohair	7	1,661	50.9	0.1	2.5	0.3	14.4	31.8	—	—
Special crops and miscellaneous	91	60,376	59.5	26.6	4.7	0.1	0.2	0.7	5.6	2.6
Marketing/farm supply - total	1,776	404,922	60.7	8.1	4.8	6.8	9.7	4.3	2.2	3.4
Cotton/farm supply	75	6,686	87.7	2.4	4.8	0.1	—	3.5	0.7	0.8
Dairy/farm supply	93	6,532	42.0	26.0	8.2	1.6	6.6	0.5	8.4	6.7
Fruits and vegetables/farm supply	55	9,668	72.6	8.7	4.0	0.6	3.0	2.1	8.5	0.5
Grain/farm supply	1,399	267,536	61.8	3.7	6.1	8.1	11.3	3.1	2.2	3.7
Livestock/farm supply	10	852	28.9	3.2	2.2	47.3	—	2.6	—	15.8
Poultry/farm supply	35	15,235	61.3	15.0	1.1	—	0.6	2.0	6.7	13.3
Diversified marketing/farm supply	96	96,808	55.7	18.4	1.7	5.2	8.4	8.7	0.5	1.4
Special crops/farm supply	13	1,605	86.1	0.3	10.9	1.9	—	—	0.8	—
Bargaining - total	72	25,031	61.2	14.1	2.4	0.3	5.0	2.5	2.5	12.0
Dairy	62	24,552	61.3	13.9	2.4	0.3	5.1	2.5	2.3	12.2
Fruits and vegetables	10	479	56.2	25.4	—	—	—	2.1	13.3	3.0
Farm supply	1,434	187,592	38.0	3.2	4.7	17.2	7.6	23.6	2.7	3.0
Service	67	2,985	29.8	14.5	10.8	0.1	36.2	0.5	3.2	4.9
Total	4,524	1,009,179	57.8	9.6	6.3	6.7	6.3	7.1	3.1	3.1

borrowing from other cooperatives, mostly regional associations. This source accounted for 10 percent of total borrowed capital reported by the locals. In some cases, regional associations extending credit to local member associations were borrowing capital from other sources in order to provide this service.

The regionals obtained less than 4 percent of their borrowed capital from other cooperatives. Of the 436 regionals, only 54 reported any capital borrowed from other farmer cooperatives. In most instances this capital was borrowed from member local associations, but

some of the regionals did report capital borrowed from other regionals.

Sources of Borrowed Capital
by Major Function

Sources and amounts of borrowed capital varied substantially according to type or major function of the cooperative. Tables 32 and 33 show detailed data on sources of borrowed capital, based on percentage of total borrowed capital outstanding at the close of the fiscal

Table 33.—Sources of borrowed capital of 7,536 farmer cooperatives, by principal activity, with percentage of peak borrowed capital outstanding during fiscal year 1962 obtained from each source

Classification of associations	Number of associ- ations with borrowed capital	Peak amount of borrowed capital outstanding during the fiscal year	Percentage of borrowed capital obtained from—							
			Banks for coopera- tives	Commer- cial banks	Individuals			Other farmer coopera- tives	Other sources	Source not reported
					Direct	Certifi- cates of indebted- ness	Deben- ture bonds			
		<i>1,000 dollars</i>					<i>Percent</i>			
Marketing - total	1,274	712,558	63.4	21.8	5.3	1.2	1.2	2.6	3.0	1.5
Cotton and cotton products	256	117,911	65.0	25.4	1.5	0.1	0.2	5.7	1.6	0.5
Dairy products	395	87,974	55.9	19.5	8.8	6.9	1.3	1.1	1.2	5.3
Fruits and vegetables . . .	239	229,219	55.2	27.1	9.6	0.3	0.4	1.5	5.3	0.6
Grain and soybeans . . .	190	121,450	80.0	10.3	2.3	1.3	3.3	1.6	0.2	1.0
Livestock	44	10,158	22.2	12.1	0.5	1.7	19.3	36.4	0.2	7.6
Poultry and eggs	32	10,564	65.4	18.4	0.2	—	—	8.0	7.5	0.5
Wool and mohair	10	12,977	89.5	2.3	1.4	0.1	1.9	4.8	—	—
Special crops and miscellaneous	108	122,305	66.7	24.4	2.8	(¹)	0.1	0.4	3.8	1.8
Marketing/farm supply - total	1,847	548,274	62.6	11.0	4.0	5.2	7.8	4.0	2.4	3.0
Cotton/farm supply . . .	80	9,676	82.0	3.1	4.0	0.1	—	8.7	1.4	0.7
Dairy/farm supply	99	8,940	43.3	28.7	6.8	1.4	5.0	1.1	7.3	6.4
Fruits and vegetables/ farm supply	65	18,010	64.1	18.5	2.4	0.3	2.5	3.2	7.5	1.5
Grain/farm supply	1,439	355,198	65.2	5.5	5.1	6.3	9.4	3.0	2.2	3.3
Livestock/farm supply . .	10	1,244	36.4	10.1	2.8	34.1	—	5.0	—	11.6
Poultry/farm supply . . .	39	25,406	69.7	13.5	1.0	(¹)	0.4	1.3	5.7	8.4
Diversified marketing/ farm supply	99	127,158	53.8	24.3	1.4	4.2	6.5	7.2	1.3	1.3
Special crops/farm supply	16	2,642	77.2	14.6	3.4	3.2	1.1	—	0.5	—
Bargaining - total	76	35,741	58.0	19.3	1.8	0.2	3.9	2.2	3.2	11.4
Dairy	64	34,306	59.1	18.4	1.9	0.2	4.0	2.2	2.3	11.9
Fruits and vegetables . . .	11	1,374	31.6	44.6	—	—	—	0.7	22.0	1.1
Sugar beets	1	61	—	—	—	—	—	—	100.0	—
Farm supply	1,558	233,999	44.1	4.5	4.1	14.0	6.2	21.6	2.6	2.9
Service	71	3,668	35.9	15.7	9.9	(¹)	29.9	0.4	3.2	5.0
Total	4,826	1,534,240	60.0	15.2	4.6	4.6	4.4	6.0	2.7	2.5

¹ Less than 0.05 percent.

year and peak borrowings during the year, for the 7,536 local and regional cooperatives combined. Variations based on amounts outstanding at the close of the fiscal year are presented in figure 10 for the three major functional groups--marketing, farm supply, and marketing/farm supply.

Tables 34 and 35 show sources of borrowed capital for the 7,536 associations based on percentage of associations borrowing from each source rather than amounts borrowed. Table 34 provides this data on the basis of number of associations with borrowings outstanding at the close of the fiscal year,

whereas table 35 applies to all associations with any borrowed capital during the year.

These data show that marketing cooperatives borrowed a larger percentage of their capital from banks than did farm supply cooperatives. The farm supply group of cooperatives, on the other hand, obtained far more loan capital by issuing certificates of indebtedness and debenture bonds.

The farm supply associations also borrowed a much larger percentage of their total borrowed capital from other farmer cooperatives than the marketing or marketing/farm supply cooperatives did. Table 35 shows that nearly

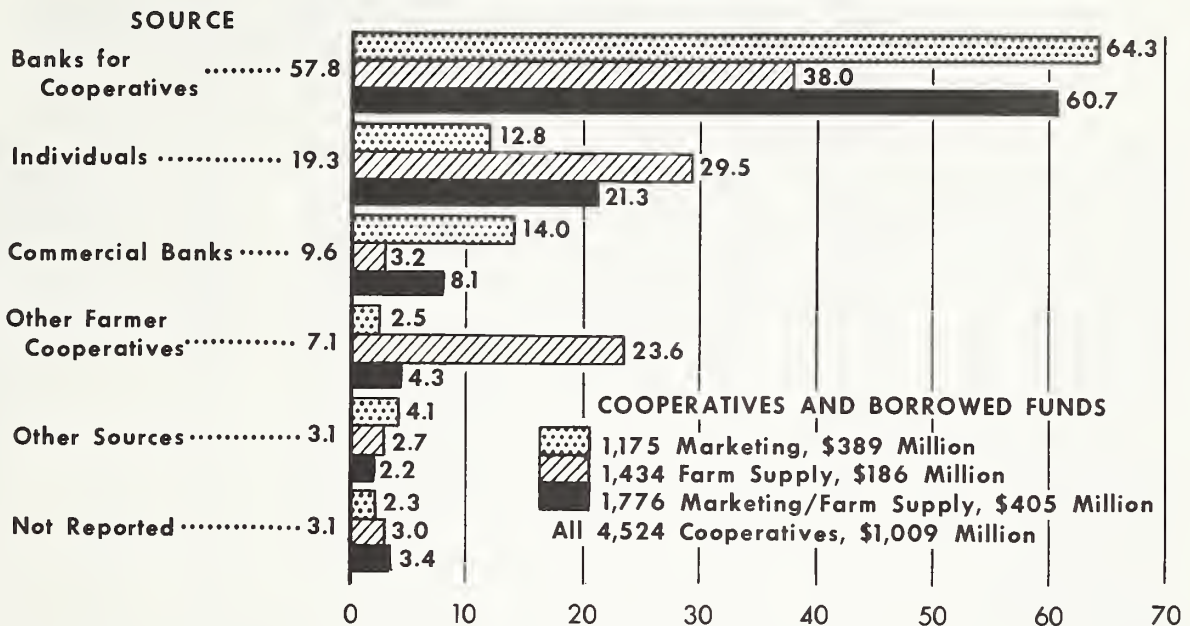
Table 34.—Sources of borrowed capital of 7,536 farmer cooperatives, by principal activity, with percentage of associations with borrowed capital outstanding at close of fiscal year 1962 borrowing from each source

Classification of associations	Number of associ- ations with borrowed capital	Percentage of associations with any borrowed capital borrowing from—							
		Banks for coopera- tives	Commer- cial banks	Individuals			Other farmer coopera- tives	Other sources	Source not reported
				Direct	Certifi- cates of indebted- ness	Deben- ture bonds			
Marketing - total	1,175	51.9	31.9	17.1	3.5	2.9	6.3	16.0	10.7
Cotton and cotton products	239	64.4	19.2	9.6	1.3	0.4	10.9	31.7	5.0
Dairy products	372	36.8	41.9	24.7	5.1	3.2	3.5	11.2	17.7
Fruits and vegetables . . .	212	51.9	38.7	13.2	1.4	2.8	5.2	14.4	4.2
Grain and soybeans . . .	182	65.4	22.0	20.9	6.6	3.3	4.4	6.8	15.1
Livestock	42	21.4	33.3	7.1	4.8	11.9	16.7	4.3	28.6
Poultry and eggs	30	43.3	46.7	6.7	—	—	13.3	20.9	0.4
Wool and mohair	7	57.1	14.3	—	14.3	14.3	28.6	—	—
Special crops and miscellaneous.	91	70.3	24.2	15.4	1.1	2.2	3.3	7.9	6.6
Marketing/farm supply - total	1,776	62.7	20.3	24.1	16.2	5.9	12.8	10.0	11.9
Cotton/farm supply	75	81.3	12.0	12.0	2.7	—	12.0	14.4	5.3
Dairy/farm supply	93	29.0	43.0	23.7	1.1	4.3	4.3	19.4	15.1
Fruits and vegetables/ farm supply	55	65.5	23.6	14.5	5.5	1.8	9.1	22.9	1.8
Grain/farm supply	1,399	63.8	19.2	26.4	18.9	6.4	11.2	7.5	13.0
Livestock/farm supply. . .	10	30.0	40.0	20.0	30.0	—	10.0	—	20.0
Poultry/farm supply . . .	35	45.7	40.0	0.9	—	5.7	14.3	20.6	14.3
Diversified marketing/ farm supply	96	54.2	12.5	9.4	12.5	8.3	47.9	6.7	4.2
Special crops/farm supply.	13	100.0	7.7	23.1	15.4	—	—	7.7	—
Bargaining - total.	72	44.4	30.6	11.1	6.9	5.6	13.9	15.0	12.5
Dairy	62	50.0	32.3	12.9	8.1	6.5	14.5	8.0	11.3
Fruits and vegetables . . .	10	10.0	20.0	—	—	—	10.0	50.0	20.0
Farm supply	1,434	30.5	19.0	16.7	9.1	8.1	41.8	7.1	14.4
Service	67	25.4	37.3	13.4	1.5	9.0	6.0	13.5	14.9
Total	4,524	48.9	23.5	19.6	10.3	5.8	20.2	10.0	12.4

FIGURE 10

4,524 Regional and Local Farmer Cooperatives**SOURCES OF BORROWED CAPITAL**

Based on Amounts Outstanding at Close of Fiscal Year 1962



FIGURES IN BARS ARE PERCENT OF TOTAL BORROWED FUNDS.
OF 7,536 COOPERATIVES, 4,524 REPORTED BORROWED FUNDS.

41 percent of the 1,558 farm supply cooperatives using any borrowed capital during the year borrowed some (or all) of it from other cooperatives. A large percentage of the member locals of several large farm supply regionals reported borrowed funds furnished by the regionals.

The credit picture for marketing cooperatives is also presented in these tables by commodity groups. The data suggest some basic differences in financing patterns. However, heavy borrowing by a few large regionals contributed rather significantly in some cases to borrowing patterns. A detailed report covering only the regional cooperatives has already been published⁷, and a separate analysis for the 7,100 locals is presented later in this report.

⁷Griffin, Nelda. Financial Structure of Regional Farmer Cooperatives, Gen. Rpt. 133, April 1966.

Sources of Borrowed Capital by Farm Credit Districts

Sources and amounts of borrowed capital of the 7,536 regional and local cooperatives were also tabulated by farm credit districts.

Table 36 is based on percentage of total borrowed capital of the cooperatives outstanding at the close of the fiscal year (\$1,009 million) obtained from each source. Table 37 shows percentages of the 4,524 associations with any borrowed capital outstanding at the close of the fiscal year borrowing from each source. Tables 38 and 39 show similar data based on peak borrowed capital (\$1,534 million) outstanding during the fiscal year.

Credit provided by the 12 district banks for cooperatives ranged from 44 percent of total borrowed capital outstanding during the year in the Berkeley and Springfield districts to 77

Table 35.—Sources of borrowed capital of 7,536 farmer cooperatives, by principal activity, with percentage of associations with any borrowed capital during fiscal year 1962 obtained from each source

Classification of associations	Number of associ- ations with borrowed capital	Percentage of these associations with any borrowed capital obtained from—							
		Banks for coopera- tives	Commer- cial banks	Individuals			Other farmer coopera- tives	Other sources	Source not reported
				Direct	Certifi- cates of indebted- ness	Deben- ture bonds			
		—Percent—							
Marketing - total	1,274	51.2	37.8	16.9	3.2	3.2	7.8	14.5	10.0
Cotton and cotton products	256	64.8	25.4	10.7	1.2	0.4	14.5	29.3	4.7
Dairy products.	395	37.0	45.6	24.6	4.8	3.0	3.8	11.1	16.7
Fruits and vegetables	239	48.5	44.4	12.6	1.3	2.5	6.7	14.2	3.8
Grain and soybeans	190	63.7	28.9	21.0	6.3	6.8	6.3	8.4	10.0
Livestock	44	25.0	38.6	6.8	4.5	11.4	18.2	4.5	29.5
Poultry and eggs	32	46.9	50.0	6.2	—	—	15.6	21.9	9.4
Wool and mohair	10	70.0	20.0	10.0	10.0	20.0	20.0	—	—
Special crops and miscellaneous.	108	64.8	37.0	13.9	0.9	1.9	4.6	6.5	5.6
Marketing/farm supply - total	1,847	61.5	25.7	24.0	15.9	5.7	13.5	9.7	11.7
Cotton/farm supply	80	77.5	18.8	12.5	2.5	—	13.8	17.5	5.0
Dairy/farm supply.	99	28.3	47.5	23.2	1.0	4.0	6.1	20.2	14.1
Fruits and vegetables/ farm supply	65	60.0	27.7	13.8	4.6	1.5	12.3	23.1	6.2
Grain/farm supply	1,439	63.9	24.4	26.6	18.7	6.2	11.7	7.9	12.7
Livestock/farm supply. . . .	10	30.0	50.0	30.0	30.0	—	10.0	—	20.0
Poultry/farm supply	39	46.2	48.7	12.8	2.6	5.1	12.8	17.9	12.8
Diversified marketing/ farm supply	99	53.5	16.2	9.1	13.1	8.1	49.5	9.1	4.0
Special crops/farm supply .	16	81.2	25.0	6.3	12.5	12.5	—	6.3	—
Bargaining - total.	76	47.4	30.3	10.5	6.6	5.3	13.2	18.4	11.8
Dairy	64	54.7	32.8	12.5	7.8	6.3	14.1	10.9	10.9
Fruits and vegetables	11	9.1	18.2	—	—	—	9.1	54.5	18.2
Sugar beets.	1	—	—	—	—	—	—	100.0	—
Farm supply	1,558	32.3	24.6	15.9	8.3	7.5	40.9	6.9	13.3
Service	71	26.8	38.0	15.5	1.4	8.4	5.6	15.5	14.1
Total	4,826	48.6	28.8	19.1	9.8	5.7	20.7	10.3	11.8

percent in the New Orleans district. Based on amounts outstanding at the close of the fiscal year, the cooperative banks furnished only 39 percent of total borrowed capital in the Springfield district and 49 percent both in the Omaha and Berkeley districts compared with highs of 79 percent in the New Orleans district and 74 percent in the Houston district.

Based on percentage of associations using borrowed capital during the year borrowing from the banks for cooperatives, the percentages ranged from a low of 28 percent in

the Springfield district to a high of 76 percent in the Wichita district.

Commercial banks furnished as much as 37 percent of the total borrowed capital used during the year in the Berkeley district and as little as 2.5 percent in the St. Louis district. However, nearly 31 percent of the cooperatives located in the St. Louis district borrowed some capital from commercial banks during the year compared with 45 percent of those located in the Berkeley district.

Table 36.—Sources of borrowed capital of 7,536 farmer cooperatives, by farm credit districts, with percentage of borrowed capital outstanding at close of fiscal year 1962 obtained from each source

Farm credit district	Number of associations with borrowed capital	Amount of borrowed capital outstanding at close of fiscal year	Percentage of total borrowed capital obtained from—							
			Banks for co-operatives	Commercial banks	Individuals			Other farmer co-operatives	Other sources	Source not reported
					Direct	Certificates of indebtedness	Debtenture bonds			
		<i>1,000 dollars</i>					<i>Percent</i>			
Springfield . . .	335	51,474	39.3	19.9	1.1	0.3	4.3	31.9	1.5	1.7
Baltimore . . .	231	62,665	54.7	3.7	3.9	0.1	13.8	22.2	1.4	0.2
Columbia . . .	75	63,714	70.0	19.5	1.2	(¹)	1.1	0.5	4.1	3.6
Louisville . . .	416	94,989	56.7	3.0	1.6	0.2	22.8	7.5	4.6	3.6
New Orleans . .	106	25,204	78.6	3.5	3.6	0.9	6.1	4.6	1.8	0.9
St. Louis . . .	344	158,382	55.0	1.9	2.7	25.1	8.5	5.0	0.2	1.6
St. Paul . . .	1,081	131,022	65.4	4.7	5.4	3.1	5.7	9.9	3.5	2.3
Omaha . . .	727	82,468	49.2	5.0	14.3	10.7	6.4	5.0	1.0	8.4
Wichita . . .	464	78,101	68.4	2.4	5.6	16.2	0.1	2.7	1.3	3.3
Houston . . .	287	39,725	73.6	4.5	7.6	1.0	1.3	4.0	4.3	3.7
Berkeley . . .	221	167,363	49.4	24.8	13.4	0.1	0.3	1.9	7.0	3.1
Spokane . . .	237	54,072	58.5	18.3	8.0	1.6	3.4	2.1	3.0	5.1
U.S. total . .	4,524	1,009,179	57.8	9.6	6.3	6.7	6.3	7.1	3.1	3.1

¹ Less than 0.05 percent.

Other farmer cooperatives supplied a relatively high percentage of borrowed capital of the cooperatives located in the Springfield and Baltimore districts. Major regional coopera-

tives located in these two districts were a major source of credit for their local member associations. These regionals were borrowing from other sources for this purpose.

Table 37.—Sources of borrowed capital of 7,536 farmer cooperatives, by farm credit districts, with percentage of associations with borrowed capital outstanding at close of fiscal year 1962 borrowing from each source

Farm credit districts	Number of associations with borrowed capital at close of fiscal year	Percentage of associations with any borrowed capital borrowing from—							
		Banks for co-operatives	Commer- cial banks	Individuals			Other farmer co-operatives	Other sources	Source not reported
				Direct	Certifi- cates of indebted- ness	Deben- ture bonds			
		----- <i>Percent</i> -----							
Springfield . .	335	27.8	14.0	3.3	0.6	1.5	70.7	2.7	3.3
Baltimore . . .	231	30.7	17.7	6.5	1.7	11.7	60.6	4.7	1.7
Columbia . . .	75	54.7	38.7	12.0	2.7	6.7	6.7	16.9	8.0
Louisville . . .	416	59.6	18.0	10.1	1.2	14.4	22.8	8.0	14.6
New Orleans .	106	65.1	14.2	9.4	6.6	2.8	17.9	1.6	10.4
St. Louis . . .	344	42.2	27.9	14.2	11.6	12.8	10.8	5.6	19.8
St. Paul . . .	1,081	47.2	29.8	20.4	3.0	7.2	12.0	3.2	14.8
Omaha . . .	727	41.6	20.5	37.4	19.0	3.2	10.0	0.9	17.2
Wichita . . .	464	77.1	13.6	24.6	46.8	0.9	17.0	1.2	12.1
Houston . . .	287	58.9	20.2	13.9	1.4	0.7	9.8	3.9	8.0
Berkeley . . .	221	48.0	38.9	11.3	1.8	2.7	9.5	13.5	6.8
Spokane . . .	237	37.1	35.0	27.4	4.2	5.9	20.3	20.9	9.3
U.S. total .	4,524	48.9	23.5	19.6	10.3	5.8	20.2	10.0	12.4

Table 38.—Sources of borrowed capital of 7,536 farmer cooperatives, by farm credit districts, with percentage of peak borrowed capital outstanding during fiscal year 1962 obtained from each source

Farm credit districts	Number of associations with borrowed capital	Peak amount of borrowed capital outstanding during the fiscal year	Percentage of total peak borrowed capital obtained from—							
			Banks for cooperatives	Commercial banks	Individuals			Other farmer cooperatives	Other sources	Source not reported
					Direct	Certificates of indebtedness	Debenture bonds			
		<i>1,000 dollars</i>					<i>Percent</i>			
Springfield . .	352	84,532	44.0	27.5	0.7	0.4	2.6	22.5	1.1	1.2
Baltimore . . .	246	83,132	61.5	4.2	3.5	0.1	10.5	18.4	1.7	0.1
Columbia . . .	92	91,368	68.0	22.6	1.0	(¹)	1.1	0.5	3.9	2.9
Louisville . . .	424	124,860	60.5	5.8	1.3	0.1	18.0	6.8	4.2	3.3
New Orleans . .	110	34,516	76.8	6.6	3.1	0.7	4.7	5.9	1.4	0.8
St. Louis . . .	408	217,000	64.7	2.5	2.1	18.5	6.3	4.2	0.3	1.4
St. Paul . . .	1,135	197,200	70.2	7.2	4.1	2.4	4.0	7.1	2.9	2.1
Omaha . . .	767	118,735	55.1	6.3	10.8	7.8	6.5	4.9	0.9	7.7
Wichita . . .	473	116,812	72.7	5.2	4.2	11.3	0.1	3.2	1.0	2.3
Houston . . .	310	101,350	69.8	15.6	3.3	0.4	0.6	6.6	2.0	1.7
Berkeley . . .	245	278,945	44.0	37.3	8.9	0.1	0.2	1.9	5.4	2.2
Spokane . . .	264	85,790	52.6	27.7	5.6	1.3	2.3	2.1	4.7	3.7
U.S. total .	4,826	1,534,240	60.0	15.2	4.6	4.6	4.4	6.0	2.7	2.5

¹ Less than 0.05 percent.

Debenture bonds accounted for the largest percentages of total borrowed capital in the Louisville and Baltimore districts. Certificates of indebtedness were more significant

in the St. Louis and Wichita districts. And, direct loans from individuals accounted for a larger percentage of borrowed capital in the Omaha district than any other district.

Table 39.—Sources of borrowed capital of 7,536 farmer cooperatives, by farm credit districts, with percentage of associations with any borrowed capital during fiscal year 1962 obtained from each source

Farm credit districts	Number of associations with borrowed capital	Percentage of these associations with any borrowed capital obtained from—							
		Banks for cooperatives	Commercial banks	Individuals			Other farmer cooperatives	Other sources	Source not reported
				Direct	Certificates of indebtedness	Debenture bonds			
						<i>Percent</i>			
Springfield . .	352	28.4	17.0	3.4	0.6	1.4	71.0	2.8	3.4
Baltimore . . .	246	32.1	19.5	6.5	1.6	11.0	59.8	5.3	2.0
Columbia . . .	92	50.0	42.4	9.8	2.2	5.4	8.7	17.4	7.6
Louisville . . .	424	59.4	26.7	10.4	1.2	14.2	24.3	9.0	14.4
New Orleans . .	110	66.4	20.0	10.0	6.4	3.6	20.0	14.5	10.0
St. Louis . . .	408	47.1	30.6	13.0	10.3	10.8	10.3	5.6	16.9
St. Paul . . .	1,135	46.5	34.1	21.0	2.8	6.9	12.5	9.7	14.3
Omaha . . .	767	43.6	25.7	36.4	18.3	3.0	11.0	6.0	16.3
Wichita . . .	473	75.9	18.4	26.0	46.3	0.8	18.2	10.6	11.8
Houston . . .	310	59.4	24.8	14.8	1.3	0.6	12.6	34.2	7.4
Berkeley . . .	245	46.5	45.3	11.0	1.6	2.4	9.8	12.7	6.5
Spokane . . .	264	33.7	45.4	25.7	3.8	5.3	20.1	14.0	8.7
U.S. total .	4,826	48.6	28.8	19.1	9.8	5.7	20.7	10.3	11.8

SOURCES OF BORROWED CAPITAL OF 7,100 LOCAL COOPERATIVES

Total borrowed capital of local cooperatives outstanding at the close of fiscal year 1962 amounted to \$390 million. Of the 7,100 local associations, 4,229, less than 60 percent, reported any borrowed funds outstanding at the end of the fiscal year.

Table 40 shows total borrowed capital appearing on balance sheets of the local coop-

eratives at the close of the fiscal year by source of funds and by functional and commodity classification of the cooperatives. The percentages of total local associations reporting any borrowed funds outstanding at the close of the year, from each source, are shown in table 41.

Banks for cooperatives were the most important source of credit for the local cooperatives. Cooperative banks accounted for over 54 percent of borrowed funds outstanding at the close of the fiscal year. Of the 4,229 cooperatives using borrowed capital during

Table 40.—Sources of borrowed capital of 7,100 local cooperatives, by principal activity, with percentage of borrowed capital outstanding at close of fiscal year 1962 obtained from each source

Classification of associations	Number of associ- ations with borrowed capital	Amount of borrowed capital outstanding at close of fiscal year	Percentage of total borrowed capital obtained from—							
			Banks for coopera- tives	Commer- cial banks	Individuals			Other farmer coopera- tives	Other sources	Source not reported
					Direct	Certifi- cates of indebted- ness	Deben- ture bonds			
		<i>1,000 dollars</i>	<i>Percent</i>							
Marketing - total	1,010	130,535	67.2	10.7	7.4	1.3	1.1	2.2	5.7	4.4
Cotton and cotton products	216	13,926	67.0	7.4	6.0	0.8	1.3	4.1	9.5	3.9
Dairy products	336	28,535	43.3	18.8	17.4	3.0	1.8	2.0	1.7	12.0
Fruits and vegetables . . .	186	52,682	83.6	6.7	2.8	0.2	0.8	1.2	4.1	0.6
Grain and soybeans . . .	162	9,911	48.4	13.0	15.3	5.2	3.1	2.4	2.5	10.1
Livestock	19	690	3.1	52.9	0.3	12.5	—	—	3.6	27.6
Poultry and eggs	27	3,478	49.5	14.6	0.6	—	—	13.9	21.3	0.1
Wool and mohair	1	2	—	100.0	—	—	—	—	—	—
Special crops and miscellaneous	63	21,311	72.5	9.0	4.0	0.2	0.1	1.9	11.6	0.7
Marketing/farm supply - total	1,733	191,019	56.1	6.0	9.0	9.1	4.6	7.8	2.4	5.0
Cotton/farm supply . . .	75	6,686	87.7	2.4	4.8	0.1	—	3.4	0.8	0.8
Dairy/farm supply	93	6,532	42.0	26.0	8.2	1.7	6.6	0.5	8.3	6.7
Fruits and vegetables/farm supply	51	8,498	72.4	6.9	4.1	0.6	3.4	2.4	9.7	0.5
Grain/farm supply	1,379	149,292	55.9	5.5	10.3	10.6	5.2	4.6	2.1	5.8
Livestock/farm supply . .	10	852	28.9	3.2	2.2	47.3	—	2.6	—	15.8
Poultry/farm supply . . .	25	3,117	76.7	8.6	0.1	—	3.0	9.8	1.0	0.8
Diversified marketing/ farm supply	87	14,437	34.4	4.2	1.6	6.4	2.1	50.2	0.4	0.7
Special crops/farm supply	13	1,605	86.1	0.3	10.9	1.9	—	—	0.8	—
Bargaining - total.	48	4,575	59.0	17.9	3.7	1.4	0.8	3.3	1.4	12.5
Dairy	39	4,213	57.7	19.4	4.0	1.5	0.9	3.3	(1)	13.2
Fruits and vegetables . . .	9	362	74.3	1.4	—	—	—	2.7	17.6	4.0
Farm supply	1,373	61,080	23.1	6.6	4.5	6.4	7.3	41.9	2.7	7.5
Service	65	2,543	17.6	17.0	12.6	0.1	42.5	0.6	3.8	5.8
Total	4,229	389,752	54.4	7.9	7.7	5.9	4.1	11.2	3.6	5.2

¹ Less than 0.05 percent.

the year, 47 percent obtained some funds from the banks for cooperatives.

Individuals were second in importance to cooperative banks as a source of credit for the local cooperatives. They obtained borrowed funds from individuals by direct loans (8 percent) or through the sale or issuance of certificates of indebtedness (6 percent) and debenture bonds (4 percent). The total value of these debt securities of various types issued to individuals accounted for almost 18 percent of borrowed funds outstanding at the close of the fiscal year. Of the 4,229 associations, 19 percent reported some direct loans from individuals, over 10 percent reported some

outstanding certificates of indebtedness, and 5 percent reported debenture bonds.

Other farmer cooperatives, primarily farm supply regionals, supplied 11 percent of the borrowed funds of the local cooperatives outstanding at the end of the fiscal year. Funds borrowed from other farmer cooperatives were reported by over 20 percent of the 4,229 local associations. However, as shown in tables 40 and 41, other farmer cooperatives were not a significant source of borrowed capital for local marketing cooperatives but were the major source for farm supply locals.

Commercial banks furnished the local cooperatives with almost 8 percent of their

Table 41.—Sources of borrowed capital of 7,100 local farmer cooperatives, by principal activity, with percentage of associations with borrowed capital outstanding at close of fiscal year 1962 borrowing from each source

Classification of associations	Number of associa- tions with borrowed capital	Percentage of associations with any borrowed capital obtained from—							
		Banks for coopera- tives	Commer- cial banks	Individuals			Other farmer coopera- tives	Other sources	Source not reported
				Direct	Certifi- cates of indebted- ness	Deben- ture bonds			
		-----Percent-----							
Marketing - total	1,010	48.7	33.1	16.7	3.4	2.4	5.4	15.4	11.4
Cotton and cotton products	216	62.0	19.9	9.3	1.4	0.5	9.3	30.6	5.6
Dairy products	336	32.1	43.5	24.4	5.1	3.0	3.9	11.6	19.0
Fruits and vegetables . . .	186	49.5	38.7	12.9	0.5	2.7	5.4	14.0	3.2
Grain and soybeans.	162	63.0	21.6	20.4	6.8	4.3	3.1	8.6	11.1
Livestock	19	10.5	47.4	5.3	5.3	--	--	10.5	42.1
Poultry and eggs	27	40.7	48.1	7.4	--	--	14.8	18.5	7.4
Wool and mohair	1	--	100.0	--	--	--	--	--	--
Special crops and miscellaneous.	63	68.3	23.8	11.1	1.6	1.6	4.8	6.3	7.9
Marketing/farm supply - total	1,733	61.4	20.0	23.8	16.3	5.2	12.6	8.7	11.9
Cotton/farm supply	75	81.3	12.0	12.0	2.7	--	12.0	14.7	5.3
Dairy/farm supply	93	29.0	43.0	23.7	1.1	4.3	4.3	19.4	15.1
Fruits and vegetables/farm supply	51	64.7	21.6	15.7	5.9	2.0	9.8	25.5	2.0
Grain/farm supply	1,379	63.5	19.1	26.3	19.0	5.8	10.9	7.2	13.0
Livestock/farm supply . . .	10	30.0	40.0	20.0	30.0	--	10.0	--	20.0
Poultry/farm supply	25	32.0	44.0	8.0	--	8.0	20.0	16.0	16.0
Diversified marketing/farm supply	87	50.6	8.0	3.4	11.5	3.4	50.6	5.7	3.4
Special crops/farm supply .	13	100.0	7.7	23.1	15.4	--	--	7.7	--
Bargaining - total	48	33.3	27.1	10.4	10.4	2.1	14.6	14.6	10.4
Dairy	39	38.5	30.8	12.8	12.8	2.6	15.4	2.6	7.7
Fruits and vegetables. . . .	9	11.1	11.1	--	--	--	11.1	66.7	22.2
Farm supply	1,373	29.1	19.0	16.2	8.8	7.6	42.5	6.5	14.5
Service	65	23.1	38.5	13.8	1.5	9.2	6.2	13.8	15.4
Total.	4,229	47.0	23.2	19.3	10.5	5.3	20.5	9.7	12.7

borrowed funds outstanding at the close of the fiscal year. Twenty-three percent of the local associations reported funds borrowed from commercial banks outstanding at the close of the fiscal year.

All other sources of credit combined accounted for less than 4 percent of total borrowed funds of the cooperatives outstanding at the close of the year. Other sources included primarily insurance companies, marketing and supply companies, State farm organizations, credit unions, and employee trust funds.

Any seasonal or short-term borrowings which were repaid before the close of the fiscal year, are not included in tables 40 and 41 or the preceeding discussion. The cooperatives were asked, however, to report separately for each loan not only the amount owed at the end of their fiscal year but also the maximum amount owed during the year, including short-term or seasonal loans that had been paid in full before the close of the fiscal year. They reported total peak borrowings of \$537 million. Sixty-three percent (4,498) of the 7,100 associations reported some borrowed capital during the year.

Peak borrowed capital of the local cooperatives (outstanding during the year) is shown in table 42 by source of funds and by functional and commodity groups. Similar data, based on number of associations reporting borrowed capital, are shown in table 43.

Forth-seven percent of the 4,498 local associations with any outstanding borrowed capital during the year reported some borrowed funds from banks for cooperatives. The cooperative banks provided 57 percent of total peak borrowings of the cooperatives.

Individuals furnished 14 percent of the peak borrowings. Direct loans from individuals were reported by 19 percent of the associations, certificates of indebtedness by 10 percent, and debenture bonds by 5 percent.

Twenty-eight percent of the local associations reported loans from commercial banks during the year. Eleven percent of total peak borrowings were obtained from this source.

Other farmer cooperatives furnished 10 percent of peak borrowings during the year. Twenty-one percent of the cooperatives reported some funds borrowed from other cooperatives, mostly from farm supply regionals.

Total borrowed capital appearing on balance sheets of the local cooperatives at the close of their fiscal years and peaks reached during the year are shown by source of funds in figure 11.

This chart provides a comparison of amounts outstanding at the close of the fiscal year with peak borrowings during the year, from each source. These figures indicate that major sources of seasonal or short term borrowings were commercial banks and banks for cooperatives. Peak borrowings from commercial banks were 90 percent larger than borrowed funds at the close of the fiscal year from the same source. This percentage figure compares with 45 percent for banks for cooperatives, 10 percent for individuals, 25 percent for other farmer cooperatives, and 28 percent for other sources.

Sources of Borrowed Capital of 7,100 Local Cooperatives by Major Function

Sources and amounts of borrowed capital of local cooperatives varied substantially according to major function and commodity classification of the cooperatives. Tables 40 and 42 show, by commodity classification, detailed data on sources of borrowed capital outstanding at the close of the fiscal year and peak borrowings during the year.

Sources of borrowed capital, based on maximum amount owed during the year (peak borrowings), are also presented in figure 12 for the three major functional groups of cooperatives--marketing, farm supply, and marketing/farm supply.

The percentages of local cooperatives reporting any borrowed capital outstanding at the close of the fiscal year and owed during the year, from each source, are shown in tables 41 and 43. The cooperatives are classified in the tables by functional and commodity groups.

These tables show that predominantly marketing locals made more use of the banks for cooperatives in 1962 than did farm supply locals. On the other hand, the farm supply locals depended much more on loans from regional farmer cooperatives and from individuals than did the marketing group.

Table 42.—Sources of borrowed capital of 7,100 local farmer cooperatives, by principal activity, with percentage of peak borrowed capital outstanding during fiscal year 1962 obtained from each source

Classification of associations	Number of associa- tions with borrowed capital	Peak amount of borrowed capital outstand- ing during the fiscal year	Percentage of total peak borrowed capital obtained from—							
			Banks for coopera- tives	Com- mercial banks	Individuals			Other farmer coopera- tives	Other sources	Source not reported
					Direct	Certifi- cates of indebted- ness	Deben- ture bonds			
		<i>1,000 dollars</i>	<i>Percent</i>							
Marketing - total	1,087	190,370	67.1	14.7	5.7	1.0	0.8	2.2	4.9	3.6
Cotton and cotton products	228	19,346	66.6	10.9	4.8	0.6	0.9	4.5	8.4	3.3
Dairy	355	35,619	43.5	21.3	15.9	2.6	1.6	1.7	1.8	11.6
Fruits and vegetables . . .	213	77,325	80.6	10.4	2.3	0.1	0.6	1.4	4.0	0.6
Grain and soybeans	169	13,130	52.8	14.5	12.1	4.2	2.4	3.0	2.2	8.8
Livestock	21	878	3.0	52.6	0.2	9.9	—	2.2	3.0	29.1
Poultry and eggs	28	6,343	46.1	29.0	0.3	—	—	12.2	12.3	0.1
Wool and mohair	1	1	--	100.0	—	—	—	—	—	—
Special crops and miscellaneous	72	37,728	72.2	16.2	2.3	0.1	(1)	1.3	7.4	0.5
Marketing/farm supply - total	1,800	253,757	58.4	8.5	7.5	7.2	3.7	7.4	2.6	4.7
Cotton/farm supply	80	9,676	82.0	3.1	4.0	0.1	—	8.7	1.4	0.7
Dairy/farm supply	99	8,940	43.3	28.7	6.8	1.4	5.0	1.1	7.3	6.4
Fruits and vegetables/ farm supply	60	14,349	62.5	16.1	2.6	0.4	3.2	4.0	9.4	1.8
Grain/farm supply	1,418	195,390	58.8	7.5	8.7	8.5	4.2	4.7	2.1	5.5
Livestock/farm supply . . .	10	1,244	36.4	10.1	2.8	34.1	—	5.0	—	11.6
Poultry/farm supply	28	4,917	79.3	9.1	1.1	(1)	1.9	6.9	0.9	0.8
Diversified marketing/ farm supply	89	16,599	37.5	5.0	1.4	6.1	1.8	46.8	0.6	0.8
Special crops/farm supply	16	2,642	77.2	14.6	3.4	3.2	1.1	—	0.5	--
Bargaining - total	49	6,742	59.6	22.8	2.6	1.2	0.5	2.7	1.9	8.7
Dairy	39	5,668	63.3	18.5	3.1	1.4	0.6	3.0	(1)	10.1
Fruits and vegetables . . .	9	1,014	42.8	48.0	--	—	--	1.0	6.8	1.4
Poultry	0	--	--	--	--	--	--	--	--	--
Sugar beets	1	60	--	--	--	--	--	--	100.0	--
Farm supply	1,493	83,572	31.2	9.0	3.7	4.9	5.5	36.6	2.5	6.6
Service	69	3,005	21.8	19.1	12.0	(1)	36.5	0.6	3.9	6.1
Total	4,498	537,446	57.1	11.0	6.2	4.5	3.1	10.0	3.4	4.7

¹ Less than 0.05 percent.

The percentage of marketing locals using any borrowed capital in 1962 was somewhat lower than the percentage for local farm supply associations. Over 71 percent of the farm supply locals were borrowers compared with 47 percent of the marketing group.

Borrowed capital of each functional group of local associations will be examined separately and the cooperatives engaged in market-

ing activities will be further examined by commodity groups.

Local Farm Supply Cooperatives.—Of the 2,094 local farm supply cooperatives included in this study, two out of three (1,373) reported borrowed capital outstanding at the close of their 1962 fiscal years. Their combined borrowed capital outstanding at the close of the year amounted to \$61 million. Over 71

Table 43.—Sources of borrowed capital of 7,100 local cooperatives, by principal activity, with percentage of associations with any borrowed capital during fiscal year 1962 obtained from each source

Classification of associations	Number of associa- tions with borrowed capital	Percentage of these associations with any borrowed capital obtained from—							
		Banks for coopera- tives	Commercial banks	Individuals			Other farmer coopera- tives	Other sources	Source not reported
				Direct	Certificates of indebtedness	Deben- ture bonds			
		----- Percent -----							
Marketing - total	1,087	47.2	38.5	16.6	3.1	2.2	7.0	15.7	10.8
Cotton and cotton products	228	62.3	25.0	9.2	1.3	0.4	13.2	31.6	5.3
Dairy products	355	31.8	46.8	24.5	4.8	2.8	3.9	11.5	18.0
Fruits and vegetables . . .	213	45.5	44.6	12.2	0.5	2.3	7.0	14.1	2.8
Grain and soybeans	169	60.9	27.8	20.7	6.5	4.1	4.1	9.5	11.2
Livestock and livestock products	21	9.5	47.6	4.8	4.8	--	4.8	9.5	42.8
Poultry and eggs	28	42.8	53.6	7.1	--	--	14.3	21.4	7.1
Wool	1	--	100.0	--	--	--	--	--	--
Special crops and miscellaneous	72	61.1	37.5	11.1	1.4	1.4	6.9	5.6	6.9
Marketing/farm supply - total	1,800	61.0	25.2	23.8	16.1	5.1	13.3	9.4	11.7
Cotton/farm supply	80	77.5	18.8	12.5	2.5	--	13.8	16.3	5.0
Dairy/farm supply	99	28.3	47.5	23.2	1.0	4.0	6.1	20.2	14.1
Fruits and vegetables/ farm supply	60	60.0	26.7	13.3	5.0	1.7	13.3	25.0	5.0
Grain/farm supply	1,418	63.5	24.3	26.6	18.8	5.6	11.4	7.8	12.7
Livestock/farm supply . .	10	30.0	50.0	30.0	30.0	--	10.0	--	20.0
Poultry/farm supply	28	35.7	50.0	10.7	3.6	7.1	17.9	14.3	14.3
Diversified marketing/ farm supply	89	50.6	10.1	3.4	12.4	3.4	51.7	6.7	3.4
Special crops/farm supply	16	81.3	25.0	6.3	12.5	12.5	--	6.3	--
Bargaining - total	49	34.7	26.5	10.2	10.2	2.0	14.3	14.3	10.2
Dairy	39	41.0	30.8	12.8	12.8	2.6	15.4	2.6	7.7
Sugar beet	1	--	--	--	--	--	--	100.0	--
Fruits and vegetables . . .	9	11.1	11.1	--	--	--	11.1	55.6	22.2
Farm supply	1,493	31.1	24.3	15.4	8.1	7.0	41.5	6.5	13.3
Service	69	24.6	39.1	15.9	1.4	8.7	5.8	15.9	14.5
Total	4,498	46.9	28.3	19.0	10.0	5.1	21.0	10.1	12.0

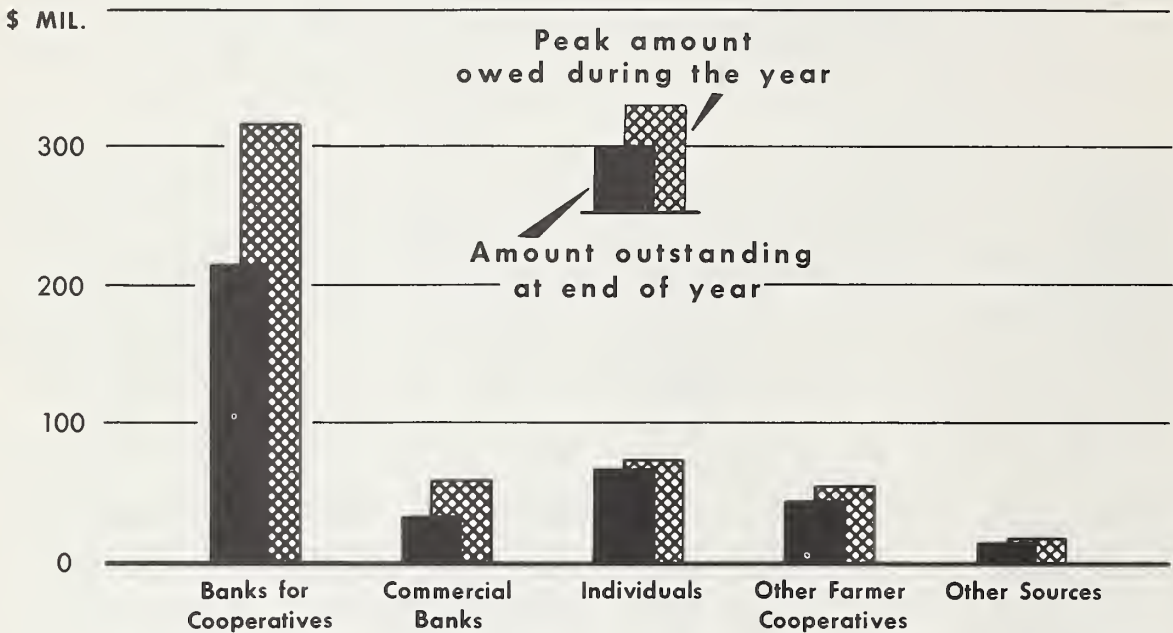
percent (1,493) of the 2,094 associations reported borrowed capital outstanding during the year. Their peak borrowings amounted to almost \$84 million.

Other farmer cooperatives, primarily large regional farm supply associations, were supplying about 42 percent of total borrowed capital outstanding at the close of the fiscal year, and almost 37 percent of peak borrowings during the year. Of the 1,373 farm supply locals

with any borrowed capital outstanding at the close of the fiscal year, nearly 43 percent reported some borrowings from other cooperatives. Almost 42 percent of the 1,493 associations using borrowed capital during 1962 reported other farmer cooperatives as a source.

Second to other farmer cooperatives in importance as a source of credit were banks for cooperatives. Twenty-nine percent of the local

FIGURE 11

7,100 Local Farmer Cooperatives, Fiscal Year 1962**BORROWED CAPITAL, BY SOURCE OF FUNDS**

farm supply cooperatives with borrowed funds outstanding at the close of their fiscal years reported borrowings from cooperative banks. Total borrowed capital from this source amounted to \$14 million--23 percent of all borrowed capital outstanding at the close of the fiscal year. Peak borrowings during the year from banks for cooperatives amounted to \$26 million, or 31 percent of total peak borrowed funds. Of the 1,493 associations using borrowed capital at any time during the year, 31 percent obtained some capital from cooperative banks.

Individuals were third in importance as a source of credit for the local farm supply cooperatives. Debt securities of various types issued to individuals accounted for 18 percent of borrowed funds outstanding at the close of the fiscal year, and for 14 percent of peak borrowings during the year. Of the 1,493 local

farm supply associations using borrowed funds during the year, 15 percent reported direct loans from individuals, 8 percent reported outstanding certificates of indebtedness, and 7 percent reported outstanding debenture bonds.

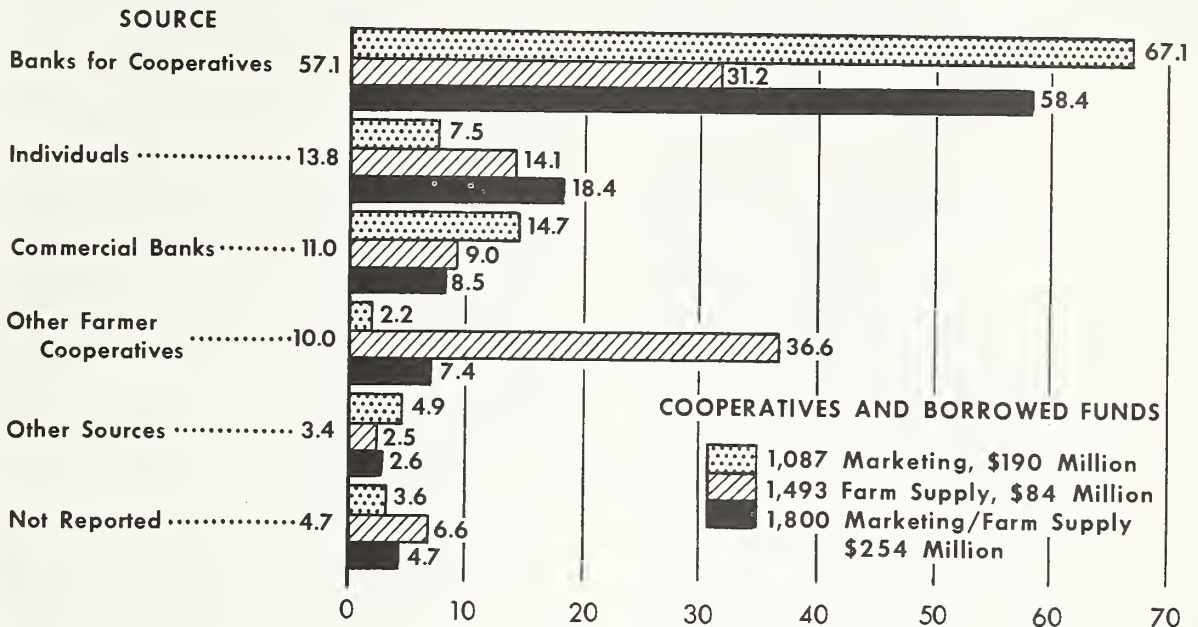
Commercial banks furnished the local farm supply cooperatives with less than 7 percent of their borrowed funds outstanding at the close of the fiscal year, and with 9 percent of peak borrowings during the year. Twenty-four percent of the 1,493 associations reported some funds borrowed from commercial banks during the year.

All other sources of credit combined accounted for less than 3 percent of total borrowed funds of the cooperatives. Source of funds was not reported for approximately 7 percent of total borrowed funds of the farm supply locals.

FIGURE 12

4,498 Local Farmer Cooperatives**SOURCES OF BORROWED CAPITAL**

Based on Maximum Amount Owed During Fiscal Year 1962, Totalling \$537 Million



FIGURES IN BARS ARE PERCENT OF TOTAL BORROWED FUNDS.
OF THE 7,100 LOCAL COOPERATIVES, 4,498 REPORTED BORROWED CAPITAL.

Local Marketing/Farm Supply Cooperatives.--Of the 7,100 local farmer cooperatives, 2,247 were engaged in both marketing and farm supply activities and were tabulated separately for this study. The predominant farm commodities marketed by three-fourths of the associations included in this classification were grain and soybeans. Therefore, this marketing/farm supply group of associations is heavily weighted with grain marketing/farm supply cooperatives, which are discussed separately on page 65 following the discussion of the grain marketing associations not engaged in substantial farm supply activities. The other marketing/farm supply groups listed in tables 41 and 43 are also discussed separately in this later section.

Of the 2,247 marketing/farm supply group of local cooperatives, 80 percent (1,800) reported borrowed funds used during the year, and 77 percent (1,733) had outstanding bor-

rowed capital at the close of their fiscal years.

Total peak borrowed capital of the 1,800 associations amounted to about \$253 million, and total outstanding at the close of the fiscal year was \$191 million.

Sixty-one percent of the marketing/farm supply associations using borrowed funds borrowed from the banks for cooperatives during the year. Fifty-eight percent of total peak borrowings were from this source. Of total borrowed capital outstanding at the close of the fiscal year, 56 percent was furnished by the cooperative banks.

Individuals supplied 18 percent of total peak borrowings of the marketing/farm supply associations, commercial banks over 8 percent, and other farmer cooperatives 7 percent. Less than 3 percent was supplied by all other sources. Source was not reported for the other 5 percent.

Local Marketing Cooperatives.--Total outstanding borrowed capital of the 2,325 local marketing cooperatives at the close of fiscal year 1962 amounted to almost \$131 million. Of the 2,325 cooperatives, 43 percent reported borrowed capital outstanding at the close of fiscal year 1962. Peak borrowed capital during the year amounted to \$190 million, and was reported by approximately 47 percent of the associations.

Banks for cooperatives were the principal source of credit for the local marketing cooperatives. The cooperative banks accounted for 67 percent of borrowed capital outstanding at the close of the fiscal year, and also for 67 percent of peak borrowings during the year. Of the 1,087 cooperatives using borrowed capital during the year, 513 obtained some funds from the banks for cooperatives.

Commercial banks were second in importance to banks for cooperatives as a source of credit. They furnished the local marketing cooperatives with nearly 11 percent of their borrowed capital outstanding at the close of the fiscal year, and with 15 percent of peak borrowings during the year. Use of borrowed capital from commercial banks during the year was reported by almost 39 percent (418) of the associations using borrowed capital.

Borrowed capital from banks for cooperatives and commercial banks combined accounted for almost 82 percent of the total peak borrowings during the year. Certificates of indebtedness and debenture bonds were relatively insignificant as sources of credit for these local marketing associations, each accounting for only about 1 percent of their total peak borrowings. Direct loans from individuals accounted for less than 6 percent, and other farmer cooperatives for only 2 percent. All other sources of credit accounted for 5 percent of the total peak borrowings. The source was not reported for the remaining 3 percent.

Cotton and Cotton Products.--Of the 273 local cooperatives marketing cotton and cotton products, nearly 84 percent (228) reported some borrowed capital used during fiscal year 1962. Their total peak borrowings outstanding during the year amounted to over \$19 million.

Two-thirds of this borrowed capital was furnished by the banks for cooperatives. Com-

mercial banks furnished 11 percent and other farmer cooperatives nearly 5 percent. Approximately 7 percent of the total peak borrowings came from individuals, primarily by means of direct loans. Certificates of indebtedness and debenture bonds were reported by only 4 of the cotton marketing associations.

Marketing and supply companies furnished nearly 8 percent of total peak borrowings. Credit from this source was reported by 41 of the cooperatives.

An additional 89 local cotton marketing cooperatives were also handling farm supplies. Eighty of these associations reported borrowed capital during their 1962 fiscal years. Their total peak borrowings amounted to almost \$10 million. Banks for cooperatives furnished 82 percent of this capital and other farmer cooperatives nearly 9 percent. Direct loans from individuals accounted for 4 percent and commercial banks 3 percent. Other sources accounted for the other 2 percent.

Dairy Products.--Of the 757 local cooperatives classified as dairy marketing, about 47 percent (355) reported some borrowed capital during 1962. Peak borrowings during the year totaled almost \$36 million.

Thirty-two percent of the 355 cooperatives using borrowed capital reported loans from the cooperative banks. Borrowed capital from this source accounted for nearly 44 percent of total peak borrowings.

Almost 47 percent of the group of dairy associations using any borrowed funds reported loans from commercial banks. Commercial bank loans accounted for 21 percent of the total peak borrowed capital reported.

Direct loans from individuals accounted for an additional 16 percent of peak borrowed capital outstanding during the year. Certificates of indebtedness and debenture bonds issued to individuals were not a significant source of capital; each provided only about 2 percent of total peak borrowings.

Other farmer cooperatives furnished the local dairy associations less than 2 percent of total peak borrowings, and all other sources combined accounted for an additional 2 percent of the total.

Sixty-four of the dairy marketing locals reported peak borrowings totaling \$4 million from unidentified sources.

Of the 182 local dairy marketing/farm supply cooperatives, 99 used borrowed funds during their 1962 fiscal years. Their peak borrowings totaled about \$9 million. The credit pattern for this group was similar to that of the local dairy marketing group. Banks for cooperatives furnished 43 percent of their peak borrowings; commercial banks 29 percent; individuals 13 percent; other farmer cooperatives 1 percent; and insurance companies, marketing and supply companies, and other sources about 7 percent. Source was not reported for the other 7 percent.

An additional 190 local dairy cooperatives were engaged primarily in bargaining for price for dairy products. Of this group, only 49 reported any borrowed capital in 1962. Their combined peak borrowings amounted to less than \$6 million. Banks for cooperatives provided 63 percent of this borrowed capital, commercial banks almost 19 percent, individuals 5 percent, and other farmer cooperatives 3 percent. Source was not reported for the other 10 percent.

Fruits and Vegetables.--Of 378 local fruit and vegetable marketing cooperatives, 213 reported borrowed capital in 1962. Their peak borrowings totaled \$77 million.

Banks for cooperatives furnished 81 percent of this borrowed capital and commercial banks 10 percent. However, approximately the same number of cooperatives reported loans from the commercial banks as from the banks for cooperatives--95 and 97, respectively.

Individuals furnished 3 percent of total peak borrowings, marketing and supply companies 2 percent, other farmer cooperatives 1 percent, and other sources 2 percent. Source of funds was not reported for the other 1 percent.

Sixty of the 79 local associations classified as fruit and vegetable marketing/farm supply reported some borrowed capital during fiscal year 1962. Their total peak borrowings amounted to \$14 million.

Sixty-two percent of this capital was provided by banks for cooperatives and 16 percent by commercial banks. Individuals furnished 6 percent, marketing and supply companies 5 percent, other farmer coopera-

tives 4 percent, insurance companies 2 percent, and other sources 3 percent. Source was not indicated for the other 2 percent.

Twenty-nine local fruit and vegetable cooperatives were engaged primarily in bargaining for price, so are classified separately in tables 42 and 43. Only 9 of these associations reported any borrowed capital during 1962. Their total peak borrowings amounted to \$1 million.

Grain and Soybeans.--Only 295 local cooperatives were classified as grain marketing in 1962. The other 1,723 grain marketing locals were classified as grain marketing/farm supply.

Of the 295 grain marketing associations, 169 reported some borrowed capital outstanding during their 1962 fiscal years, and 162 reported borrowed funds outstanding at the close of the year. Total borrowed capital at the close of the year amounted to about \$10 million and peak borrowings during the year amounted to \$13 million.

Sixty-one percent of the 169 associations using borrowed capital obtained some funds from the banks for cooperatives. Fifty-three percent of total peak borrowings were obtained from this source.

Over 14 percent of total peak borrowings were furnished by commercial banks. Nearly 28 percent of the 169 cooperatives used commercial banks during the year.

Twenty-one percent of the associations reported direct loans from individuals. Twelve percent of total peak borrowings were obtained by this method. Only 11 of the cooperatives reported any outstanding certificates of indebtedness and only 7 any debenture bonds. Less than 7 percent of total peak borrowings were obtained by issuing these two types of debt instruments.

Other farmer cooperatives furnished the grain marketing cooperatives 3 percent of their total peak borrowings, and insurance companies furnished 2 percent. Source was not reported for the other 9 percent of the borrowed capital.

Of the 1,723 grain marketing/farm supply locals, 82 percent (1,418) had some borrowed capital outstanding during fiscal year 1962, and 80 percent (1,379) had outstanding borrowed funds at the close of the fiscal year.

Borrowed capital outstanding at the close of the fiscal year totaled \$149 million, and total peak borrowings during the year amounted to \$195 million.

The most important source of credit for the local grain marketing/farm supply cooperatives was banks for cooperatives. These banks accounted for 56 percent of borrowed funds outstanding at the close of the fiscal year and for 59 percent of peak borrowings during the year. Of the 1,418 cooperatives using borrowed capital during the year, over 63 percent obtained some funds from the banks for cooperatives.

Individuals were second in importance to banks for cooperatives as a source of credit for this group of cooperatives. Debt securities of various types issued to individuals accounted for 26 percent of borrowed capital outstanding at the close of the fiscal year, and for over 21 percent of peak borrowings during the year. Of the 1,418 cooperatives reporting any borrowed capital during the year, about 27 percent reported direct loans from individuals, 19 percent reported outstanding certificates of indebtedness, and almost 6 percent reported outstanding debenture bonds.

Commercial banks furnished the local grain marketing/farm supply cooperatives with less than 6 percent of their borrowed capital outstanding at the close of the fiscal year, and with less than 8 percent of peak borrowings during the year. Use of borrowed capital from commercial banks during the year was reported by approximately one out of four of the associations.

Other farmer cooperatives supplied less than 5 percent of the borrowed capital of this group of local cooperatives. Funds borrowed from other farmer cooperatives were reported by 162 of the 1,418 associations.

All other sources of credit combined accounted for only 2 percent of total borrowed capital. Source of funds was not reported for approximately 5 percent.

Livestock.--Of the 365 local livestock associations, only 21 reported use of any borrowed funds. A large majority of the cooperatives in this classification were small livestock shipping associations, which accounts for the small number using borrowed funds.

Of the 21 reporting any borrowed capital during the year, 10 obtained funds from commercial banks, 2 from banks for cooperatives, 2 from individuals, 1 from other farmer cooperatives, 1 from marketing and supply companies, and 1 from other sources. The others did not report source of their borrowed funds.

Total peak borrowings of the 21 local livestock cooperatives amounted to less than \$1 million. About 53 percent of these funds were supplied by commercial banks, 10 percent by individuals, 3 percent by banks for cooperatives, 2 percent by other farmer cooperatives, and 3 percent by other sources. Source was not reported for the other 29 percent of total peak borrowings.

An additional 13 local livestock cooperatives were classified as livestock marketing/farm supply. Ten of these had outstanding borrowed funds during 1962. Of these 10 cooperatives, 5 borrowed from commercial banks and 3 from cooperative banks. Three reported outstanding certificates of indebtedness and 3 had other outstanding loans from individuals. Only 1 obtained funds from other farmer cooperatives. Two reported borrowed capital without indicating the source.

Total peak borrowings of these 10 livestock marketing/farm supply cooperatives amounted to just over \$1 million during fiscal year 1962. Thirty-six percent of this was supplied by the banks for cooperatives and 10 percent by commercial banks. Certificates of indebtedness accounted for 34 percent and direct loans from individuals for 3 percent. Other farmer cooperatives furnished 5 percent, and source was not reported for the other 12 percent.

Poultry and Eggs.--Twenty-eight of the 47 local poultry and egg marketing cooperatives used borrowed capital during fiscal year 1962. Their total borrowed capital outstanding at the close of the fiscal year amounted to over \$3 million. Peak borrowings during the fiscal year totaled over \$6 million.

Fifteen of the 28 cooperatives had borrowed funds from commercial banks, and twelve from banks for cooperatives. Five obtained credit from marketing and supply companies and 4 from other farmer cooperatives. Two reported direct loans from individuals, 2 from other sources, and 2 did not report the source of borrowed funds.

Banks supplied 75 percent of total peak borrowings of the poultry and egg marketing cooperatives--banks for cooperatives 46 percent and commercial banks 29 percent. Other farmer cooperatives supplied 12 percent, marketing and supply companies 7 percent, and all other sources 6 percent.

Forty-three local poultry and egg marketing cooperatives were classified with the marketing/farm supply group. Twenty-five of these associations reported borrowed funds outstanding at the close of fiscal year 1962, and 28 reported some borrowed funds outstanding during the year. Total borrowed funds at the close of the year amounted to \$3 million, and peak borrowings during the year totaled \$5 million.

Banks for cooperatives provided 79 percent of total peak borrowings, commercial banks provided 9 percent, and other cooperatives provided 7 percent. The other 5 percent came from individuals and other sources.

Of the 28 cooperatives using borrowed capital, 14 borrowed from commercial banks, 10 from banks for cooperatives, and 5 from other cooperatives.

Special Crops and Miscellaneous.--Cooperatives marketing rice, sugar products (other than sugar beets), nuts, and dry beans and peas are included with the special crops and miscellaneous classification used in this report. The rice and sugar marketing cooperatives accounted for the major part of the borrowed capital, and are therefore discussed separately here.

Of the 31 local rice marketing cooperatives, 22 used borrowed capital during 1962. Total peak borrowings of these cooperatives amounted to \$9 million. All 22 associations reported loans from banks for cooperatives. The cooperative banks furnished about 78 percent of their total peak borrowings. The balance was obtained from commercial banks (9 percent), individuals (7 percent), and other farmer cooperatives (5 percent). Source was not indicated for two loans reported by the rice cooperatives. These two loans accounted for the other 1 percent of peak borrowings.

Eleven rice marketing cooperatives were included with the marketing/farm supply group of associations. Nine of these had borrowed capital outstanding during 1962 amounting to

about \$1 million. Seven of the associations borrowed from the cooperative banks. This source accounted for 74 percent of the total borrowed capital of \$1 million. The balance was acquired from commercial banks (16 percent), individuals (9 percent), and marketing and supply companies (1 percent).

Of the 19 local sugar marketing cooperatives, 16 reported borrowed capital outstanding during fiscal year 1962. Peak borrowings totaled \$19 million. Banks for cooperatives were the major source of credit. Thirteen of the cooperatives obtained capital from the cooperative banks, and 82 percent of total peak borrowings were from this source. Marketing and supply companies supplied about 11 percent of peak borrowings, commercial banks 3 percent, and other sources supplied the additional 4 percent.

Diversified Marketing.--Ninety-seven local cooperatives were handling more than one major commodity and, therefore, were classified as diversified marketing/farm supply cooperatives for this study. Of the 97 associations, 89 reported some borrowed capital outstanding during fiscal year 1962. Their peak borrowings totaled almost \$17 million.

The major source of credit for this group of associations was other farmer cooperatives. Forty-seven percent of total peak borrowings came from other farmer cooperatives, and 46 of the 89 associations reported funds from this source.

Banks for cooperatives furnished credit to 45 of the associations. Loans from the cooperative banks amounted to about 38 percent of total peak borrowings for the group.

Other sources of credit included individuals (9 percent) and commercial banks (5 percent). All other sources accounted for 1 percent.

Sources of Borrowed Capital of the 7,100 Local Cooperatives by Farm Credit Districts

Sources and amounts of borrowed capital outstanding at the close of fiscal year 1962 and peak borrowings during the year for the 7,100 local cooperatives located in each farm credit district are shown in tables 44 and 45.

Table 44.—Sources of borrowed capital of 7,100 local cooperatives, by farm credit districts, with percentage of borrowed capital outstanding at close of fiscal year 1962 obtained from each source

Farm credit district	Number of associations with borrowed capital	Amount of borrowed capital outstanding at close of fiscal year	Percentage of total borrowed capital obtained from—							
			Banks for co-operatives	Com-mercial banks	Individuals			Other farmer co-operatives	Other sources	Source not reported
					Direct	Certifi-cates of indebt-edness	Deben-ture bonds			
		<i>1,000 dollars</i>	<i>Percent</i>							
Springfield . . .	316	21,742	21.9	4.1	0.2	(1)	1.4	69.8	1.6	1.0
Baltimore	216	32,170	45.3	6.9	6.3	0.2	7.4	31.9	1.7	0.3
Columbia	57	16,396	67.7	5.2	1.4	0.1	2.1	1.4	15.9	6.2
Louisville	387	40,842	55.1	4.1	3.0	0.2	9.9	17.2	3.7	6.8
New Orleans . .	89	8,355	48.0	3.5	9.0	2.5	17.2	12.9	4.9	2.0
St. Louis	316	22,424	62.1	7.7	3.8	3.1	7.7	6.0	1.2	8.4
St. Paul	1,036	33,314	44.7	14.1	10.0	2.3	6.4	7.5	5.8	9.2
Omaha	700	51,886	41.2	7.0	20.2	14.9	2.0	2.8	1.6	10.3
Wichita	450	64,294	63.1	2.4	6.7	19.4	0.1	2.9	1.4	4.0
Houston	270	21,860	66.4	5.9	9.9	1.7	2.4	2.3	4.7	6.7
Berkeley	176	39,079	69.5	17.0	4.2	0.1	0.5	2.8	4.9	1.0
Spokane	215	37,390	61.1	14.1	7.8	1.7	4.5	2.9	4.1	3.8
U.S. Total .	4,228	389,752	54.4	7.9	7.7	5.9	4.1	11.2	3.6	5.2

¹ Less than 0.05 percent.

Credit sources varied considerably from one district to another. For example, credit provided by the banks for cooperatives ranged

from less than 26 percent of total peak borrowed capital in the Springfield district to 69 percent in the St. Louis district.

Table 45.—Sources of borrowed capital of 7,100 local cooperatives, by farm credit districts, with percentage of peak borrowed capital during fiscal year 1962 obtained from each source

Farm credit district	Number of associations with borrowed capital	Peak amount of borrowed capital outstanding during fiscal year	Percentage of total borrowed capital obtained from—							
			Banks for co-operatives	Com-mercial banks	Individuals			Other farmer co-operatives	Other sources	Source not reported
					Direct	Certifi-cates of indebt-edness	Deben-ture bonds			
		1,000 dollars	----- Percent -----							
Springfield . . .	334	28,583	25.6	8.5	0.3	(1)	1.1	62.4	1.3	0.8
Baltimore	229	45,461	55.6	6.9	5.5	0.2	5.3	24.3	2.0	0.2
Columbia	69	21,311	64.3	9.4	1.1	(1)	2.4	1.8	15.9	5.1
Louisville . . .	392	51,583	56.1	6.1	2.5	0.2	8.3	16.2	4.0	6.6
New Orleans . .	93	14,359	54.6	9.7	5.5	1.6	10.1	13.6	3.3	1.6
St. Louis	376	36,923	68.9	9.2	2.7	2.2	5.0	4.4	1.0	6.6
St. Paul	1,085	46,380	47.7	16.3	8.1	1.7	4.7	7.2	5.3	9.0
Omaha	735	68,136	45.7	8.8	16.7	11.9	1.6	3.9	1.6	9.8
Wichita	458	81,648	66.4	3.7	5.9	15.9	0.1	3.3	1.4	3.3
Houston	287	28,351	66.8	7.5	8.6	1.3	2.1	3.0	4.6	6.1
Berkeley	199	60,020	66.4	22.2	3.0	0.1	0.4	2.7	4.2	1.0
Spokane	241	54,691	58.7	21.4	5.9	1.2	3.2	2.9	3.5	3.2
U.S. Total .	4,498	537,446	57.1	11.0	6.2	4.5	3.1	10.0	3.4	4.7

¹ Less than 0.05 percent.

Local cooperatives in the Springfield farm credit district obtained over 62 percent of their total peak borrowed capital during the fiscal year from other farmer cooperatives. When one or more large regional cooperatives located in any district followed the practice of furnishing their local member cooperatives with substantial amounts of capital, these locals naturally borrowed less from other sources.

The only significant source of borrowed capital used by local cooperatives located in the Springfield district other than farmer cooperatives (62 percent) and banks for cooperatives (26 percent), was commercial banks. These banks furnished 8.5 percent of total peak borrowings during fiscal year 1962.

Of the 494 local cooperatives located in the Springfield district, two out of three (334 associations) used some borrowed capital during the year. Their total peak borrowings amounted to almost \$29 million.

Local cooperatives located in the Baltimore farm credit district also obtained a substantial amount (24 percent) of their total peak borrowed capital from other farmer cooperatives--primarily from one large farm supply regional. They obtained the major portion of their borrowed capital from banks for cooperatives, however. Nearly 56 percent came from this source. Commercial banks supplied about 7 percent of the total, but a larger percentage--almost 11 percent--was furnished by individuals. Direct loans from individuals accounted for about 6 percent of peak borrowings and debenture bonds accounted for the other 5 percent.

There were 404 local cooperatives located in the Baltimore district in 1962. Fifty-seven percent of these reported some borrowed capital. Their peak borrowed capital during the year totaled over \$45 million.

Only 135 local cooperatives were located in the Columbia farm credit district in 1962. About half of these (69) reported some borrowed capital during the year. Their total peak borrowings amounted to \$21 million. This credit was provided primarily by three sources. Sixty-four percent was furnished by the banks for cooperatives; marketing and supply companies furnished 12 percent; and commercial banks 9 percent.

Of the 492 local cooperatives located in the Louisville farm credit district nearly 80

percent (392) used borrowed funds. Their peak borrowed capital during the year totaled almost \$52 million. Banks for cooperatives were the major source of credit for this group of associations, accounting for 56 percent of their total borrowed funds. Other farmer cooperatives furnished 16 percent of the borrowed capital, and commercial banks 6 percent. Individuals provided 11 percent--8 percent through the purchase of debenture bonds and about 3 percent by direct loans.

Local cooperatives located in the New Orleans farm credit district numbered only 124 in 1962, but three-fourths of these (93) were using borrowed capital. Their total peak borrowed capital amounted to \$14 million. Banks for cooperatives furnished about 55 percent of these funds. Other farmer cooperatives furnished nearly 14 percent and commercial banks close to 10 percent. Individuals provided 17 percent--10 percent through the purchase of debenture bonds, 2 percent through the purchase of certificates of indebtedness, and 5 percent by means of direct loans.

Of the 573 local cooperatives with headquarters in the St. Louis farm credit district, about two-thirds (376 associations) used some borrowed capital during 1962. Their total peak borrowings amounted to \$37 million. Nearly 69 percent of these borrowings were furnished by the banks for cooperatives. Nine percent was obtained from commercial banks and 4 percent from other farmer cooperatives. Individuals were the only other significant source of credit. Issuance of debenture bonds and certificates of indebtedness to individuals accounted for 5 and 2 percent, respectively, of the total borrowed capital. Direct loans from individuals accounted for about 3 percent.

The largest number of local cooperatives were headquartered in the St. Paul farm credit district. More borrowers were also found here. However, of the 2,124 local associations located in this district, only half (1,085) reported any borrowed capital during fiscal year 1962. Their total peak borrowed capital amounted to \$46 million. The cooperative banks provided about 48 percent of this and commercial banks 16 percent. Other farmer cooperatives supplied 7 percent of the total and marketing and supply companies 3 percent. Individuals were also a major source of credit, providing over 14 percent of the total peak borrowings. Direct loans

from individuals accounted for 8 percent and issuance of debt instruments, primarily debenture bonds, for 6 percent.

Seventy percent of the 1,047 local associations with headquarters in the Omaha farm credit district were using borrowed capital to some extent in 1962. Peak borrowed capital of the 735 borrowing associations totaled \$68 million. Banks supplied about 55 percent of this capital--cooperative banks 46 percent and commercial banks 9 percent. Other farmer cooperatives provided 4 percent of the total.

Individuals furnished their local cooperatives in this district with a larger percentage of peak borrowings than in any other district--over 30 percent. Direct loans from individuals accounted for 17 percent of the borrowed funds and outstanding certificates of indebtedness for 12 percent. Debenture bonds accounted for less than 2 percent.

Of the 542 local cooperatives located in the Wichita district almost 85 percent (458) reported use of borrowed capital during fiscal year 1962. Peak amount of borrowed capital outstanding during the fiscal year was greater than in any other farm credit district--almost \$82 million. The banks for cooperatives furnished two-thirds of this capital. Commercial banks furnished less than 4 percent and other farmer cooperatives only 3 percent. Issuance of certificates of indebtedness to individuals accounted for 16 percent of the total, and direct loans from individuals for 6 percent.

The Houston farm credit district includes only the State of Texas. Of the 380 local associations located in the State, 3 out of 4 used borrowed capital during 1962. Their peak borrowings totaled \$28 million. Two-thirds of this capital was supplied by the cooperative banks. Less than 8 percent was borrowed from commercial banks. Credit from other farmer

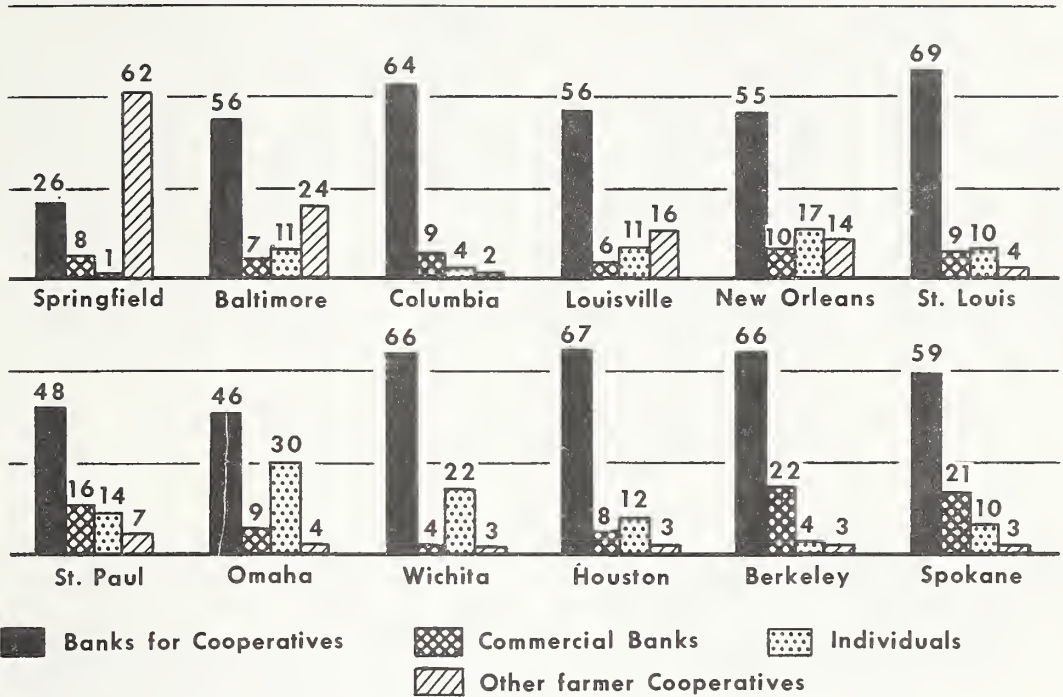
cooperatives and from marketing and supply companies accounted for 6 percent--3 percent from each source. Sale of debenture bonds and certificates of indebtedness to individuals provided only 3 percent, but direct loans from individuals accounted for almost 9 percent of the total peak borrowings.

Local cooperatives located in the Berkeley farm credit district numbered 341. Most of these (276) were located in California. Fifty-eight percent of the 341 cooperatives reported some borrowed capital during fiscal year 1962. Their total peak borrowings amounted to \$60 million. Banks supplied over 88 percent of this borrowed capital--cooperative banks over 66 percent and commercial banks 22 percent. Direct loans from individuals accounted for 3 percent of the total borrowings and other farmer cooperatives supplied an additional 3 percent.

Of the 444 local associations with headquarters in the Spokane farm credit district, 54 percent reported borrowed funds during 1962. Their total peak borrowings amounted to almost \$55 million. As in the Berkeley district, banks were the only really important source of credit. Cooperative banks accounted for 59 percent of total peak borrowing and commercial banks for over 21 percent. Direct loans from individuals accounted for 6 percent of the total, and debenture bonds and certificates of indebtedness sold to individuals for 4 percent. Other farmer cooperatives provided 3 percent.

Figure 13 provides a comparison of the principal sources of credit used by local cooperatives located in each of the twelve farm credit districts in 1962. Borrowing patterns of the local associations when classified by basic function or commodity handled have already been discussed. Primary types of cooperatives located in each district had a

FIGURE 13

7,100 Local Farmer Cooperatives, Fiscal Year 1962**PERCENTAGE OF PEAK BORROWED CAPITAL OBTAINED FROM
PRINCIPAL CREDIT SOURCES IN EACH FARM CREDIT DISTRICT**

definite bearing on the amounts of borrowed capital needed by the cooperatives. Local bargaining cooperatives, for example, generally need very little capital of any kind, equity, or debt. Highly diversified cooperatives engaged in marketing, processing, and farm supply activities, on the other hand, need large amounts of capital if they are going to continue to grow and expand their services to members. Type of cooperative located in each district is shown in table 3.

Table 46 provides sources of borrowed capital of the 7,100 local cooperatives, based on number of associations borrowing any funds from each source rather than on amounts borrowed. Heavy borrowing by a few associations contributed more to borrowing patterns in some districts than in others. This can best be seen by comparing the number of associations borrowing funds from each source (table 46) with the percent of total borrowed capital obtained from the same source (table 44).

Table 46.—Sources of borrowed capital of 7,100 local cooperatives, by farm credit districts, with percentage of associations with borrowed capital outstanding at close of fiscal year 1962 borrowing from each source

Farm credit districts	Number of associations with borrowed capital at close of fiscal year	Percentage of associations with any borrowed capital obtained from—							
		Banks for cooperatives	Com-mercial banks	Individuals			Other farmer cooperatives	Other sources	Source not reported
				Direct	Certifi-cates of indebt-edness	Deben-ture bonds			
		-----Percent-----							
Springfield . . .	316	26.6	12.7	2.8	0.3	0.9	74.4	2.4	2.5
Baltimore	216	25.9	18.1	5.1	1.9	11.6	63.4	4.7	1.9
Columbia	57	52.6	38.6	7.0	3.5	5.3	7.0	12.3	7.0
Louisville	387	57.1	18.3	10.3	0.8	13.2	24.3	9.6	14.7
New Orleans . .	89	61.8	13.5	10.1	6.7	2.2	19.1	17.9	11.2
St. Louis	316	38.9	24.4	13.6	11.1	11.1	9.5	6.3	20.6
St. Paul	1,036	45.9	30.0	19.9	2.7	6.5	11.8	9.5	15.4
Omaha	700	40.7	20.3	38.0	19.4	2.6	9.7	6.9	17.3
Wichita	450	76.7	13.3	24.4	47.6	0.9	18.9	18.9	12.4
Houston	270	57.4	20.4	14.1	1.1	0.7	8.9	36.7	8.5
Berkeley	176	47.2	38.1	9.1	1.7	1.7	8.0	13.1	5.7
Spokane	215	34.9	35.3	26.0	4.2	6.0	21.4	15.8	8.8
U.S. Total . . .	4,228	47.0	23.2	19.3	10.5	5.3	20.5	9.7	12.6

BORROWED CAPITAL OF FARMER MARKETING AND SUPPLY COOPERATIVE AT CLOSE OF FISCAL YEAR 1954

Farmer Cooperative Service obtained data on sources of borrowed capital outstanding at

the close of fiscal year 1954 in its earlier study of cooperative financing methods. Of the 1,146 cooperatives included in that study, 632 reported borrowed capital totaling \$269 million outstanding at the close of the fiscal year. Sources of borrowed capital in 1954 and the percentage borrowed from each source are shown in table 47.

Table 47.—Sources of borrowed capital of 632 marketing and farm supply cooperatives, fiscal year 1954

Type of association	Number of associations	Number of associations with borrowed capital	Total borrowed capital	Percentage of borrowed capital from following sources:							
				Banks for cooperatives	Commercial banks	Marketing and supply companies	Regional marketing and purchasing cooperatives	Individuals-direct loans	Insurance companies	Certificates of indebtedness	Miscellaneous sources
			<i>1,000 dollars</i>	<i>Percent</i>							
Marketing	790	427	151,743	66.8	11.9	0.5	2.6	4.8	5.2	6.8	1.4
Locals	606	312	20,640	57.1	12.7	2.7	2.3	12.5	3.4	9.1	0.2
Regionals	184	115	131,103	68.3	11.8	0.2	2.6	3.6	5.5	6.4	1.6
Farm supply	356	205	117,063	46.3	8.2	3.1	3.0	3.0	4.0	29.0	3.4
Locals	292	157	3,927	41.8	16.0	0.8	4.1	18.7	3.5	10.3	4.8
Regionals	64	48	113,136	46.4	8.0	3.2	3.0	2.5	4.0	29.6	3.3
All associations . .	1,146	632	268,806	57.8	10.3	1.6	2.8	4.0	4.7	16.5	2.3
Locals	898	469	24,567	54.7	13.2	2.4	2.6	13.4	3.4	9.3	1.0
Regionals	248	163	244,239	58.2	10.0	1.5	2.8	3.1	4.8	17.2	2.4

NET SAVINGS AND LOSSES

At the close of fiscal year 1962, combined net savings and losses of the 8,522 regional and local farmer cooperatives amounted to \$514 million. This is a gross figure--duplications arising from intercooperative business have not been eliminated. When intercooperative distributions of patronage refunds by these cooperatives, amounting to nearly \$62 million, were eliminated, net savings of approximately \$453 million were left for distribution to members and patrons. This is equivalent to about 3.5 percent savings on the \$13 billion net business volume of the cooperatives.

Of the 8,522 cooperatives, 1,101 showed net losses on their operating statements for the

fiscal year covered by this report, and 104 reported a net savings figure of zero. We tabulated net losses of these associations along with net savings of the other 7,317 associations, however, to report aggregate operating results for all marketing, farm supply, and related service cooperatives. Thus, the term "net savings" used above, and in table 48, reflects the operating losses incurred by, or the zero net savings of, 1,205 of the 8,522 cooperatives.

None of the net savings figures included in this report reflect all the savings and value of services provided by farmer cooperatives. Many of the cooperatives provided services as close to actual cost as possible during the

Table 48.—Net savings of 8,522 farmer cooperatives, for fiscal year 1962, adjusted to eliminate net losses and duplication resulting from intercooperative business, shown by principal activity

Classification of associations	Number of cooperatives	Number of cooperatives with net savings	Total net savings	Number of cooperatives with net losses	Total net losses	Net savings minus net losses	Patronage refunds from other cooperatives included	Net
			<i>1,000 dollars</i>		<i>- - - - -1,000 dollars - - - - -</i>			
Marketing - total	2,963	2,364	242,450	522	-3,728	238,722	8,630	230,092
Cotton and cotton products . .	386	324	29,267	62	-437	28,830	2,810	26,020
Dairy products	963	786	58,366	166	-1,613	56,753	3,116	53,637
Fruits and vegetables	493	375	88,024	80	-734	87,290	559	86,731
Grain and soybeans	374	333	27,133	41	-556	26,577	1,557	25,020
Livestock	401	280	1,827	114	-111	1,716	185	1,531
Poultry and eggs	62	53	3,116	9	-107	3,009	267	2,742
Wool	109	74	291	30	-5	286	2	284
Special Crops and miscellaneous	175	139	34,426	20	-165	34,261	134	34,127
Marketing/farm supply - total . .	2,559	2,378	151,969	178	-3,743	148,226	28,585	119,641
Cotton/farm supply	118	111	6,211	7	-36	6,175	1,574	4,601
Dairy/farm supply	190	167	6,517	23	-829	5,688	2,039	3,649
Fruits and vegetables/farm supply	93	80	10,562	12	-201	10,361	484	9,877
Grain/farm supply	1,931	1,816	91,115	115	-1,889	89,226	22,155	67,071
Livestock/farm supply	14	12	478	2	-30	448	134	314
Poultry/farm supply	67	60	9,377	7	-638	8,739	244	8,495
Special crops/farm supply . . .	25	22	745	1	-1	744	39	705
Diversified marketing/farm supply	121	110	26,964	11	-119	26,845	1,916	24,929
Bargaining - total	310	242	9,220	61	-263	8,957	211	8,746
Dairy	226	187	8,882	39	-159	8,723	205	8,518
Poultry	9	8	2	1	(¹)	2	-	2
Sugar beet	42	33	23	9	-12	11	-	11
Fruits and vegetables	33	14	313	12	-92	221	6	215
Farm supply	2,494	2,204	120,160	287	-2,335	117,825	24,085	93,740
Service	196	129	816	53	-110	706	8	698
Total	8,522	7,317	524,615	1,101	-10,179	514,436	61,519	452,917

¹ Less than \$500.

year so that when their books were closed at the end of their operating year amounts remaining (over-payments or underpayments) were relatively small. For example, most farmer cooperatives that operated on a "pool" basis had no margins for distribution at the end of the fiscal year. A separate evaluation of "real" savings to farmers provided by these cooperatives would be difficult, because they were for the most part inextricably combined with sales returns.

Table 48 shows, for all 8,522 cooperatives, classified by major functional and commodity groups, total net savings, total net losses, and intercooperative patronage refunds. The net losses and intercooperative distribution of refunds were deducted to provide net savings for all 8,522 associations.

Of the \$525 million combined net savings reported by the 7,317 associations with net savings for fiscal year 1962, over \$18 million

was used to pay income taxes. This left savings of \$506.4 million for possible distribution and allocation to members and patrons.

Payment of dividends and interest on capital stock and other equity capital amounted to \$35 million, or 6.9 percent of the net savings after payment of income taxes. \$20 million, or 4 percent, was retained by the cooperatives as unallocated reserves.

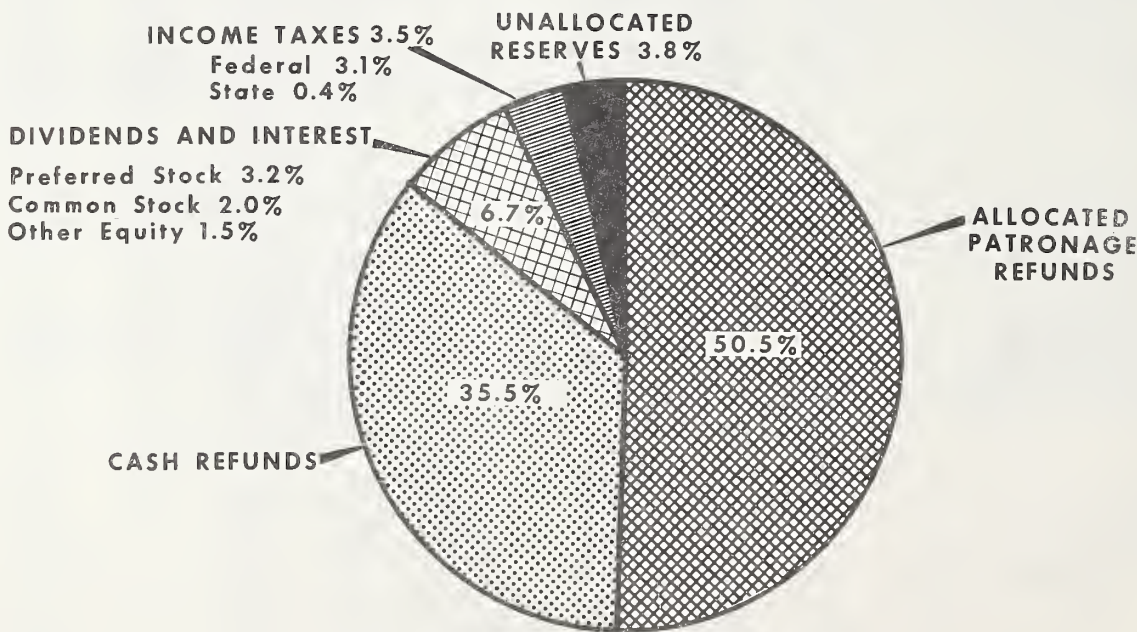
The balance of combined net savings, amounting to \$451 million, or 89 percent of total net savings after taxes, was distributed to patrons of the cooperatives as patronage refunds on the current year's business. Patrons received 41 percent of these patronage refunds in cash and the remaining 59 percent in stock or equity certificates or allocated capital credits.

Figure 14 shows distribution of net savings (before taxes) for the 7,317 regional and local cooperatives for fiscal year 1962. Distribution

FIGURE 14

All 7,317 Local and Regional Farmer Cooperatives with Savings, Fiscal Year 1962

DISTRIBUTION OF NET SAVINGS



TOTAL NET SAVINGS \$525 MILLION

is shown on the basis of major function and commodity classification of the associations in table 49.

Total 1962 net savings of the 7,317 farmer cooperatives, and distribution made by the cooperatives are shown in table 50 by farm credit districts. Data provided show that the distribution pattern varied considerably by districts.

The percentage of total net savings distributed in cash (including cash patronage refunds on the current year's business, dividends and interest on equity capital, and income taxes) ranged from approximately two-thirds for cooperatives located in the Springfield, Columbia, and Berkeley districts to one-fourth, or less for those in the St. Paul, Omaha, and Houston districts.

Table 49.—Distribution of net savings of 7,317 farmer cooperatives, by principal activity, based on percentage of total net savings, fiscal year 1962¹

Classification of associations	Number of associations with net savings	Total net savings	Percentage of total net savings distributed as—							
			Dividends and interest on—			Patronage refunds on current year's business		Unallo- cated reserves	Income taxes	
			Common stock	Preferred stock	Other equity capital	Paid in cash	Allocated		Federal	State
		<i>1,000 dollars</i>	<i>Percent</i>							
Marketing - total	2,364	242,450	1.8	1.5	1.6	50.4	42.6	1.1	0.9	0.1
Cotton and cotton products	324	29,267	0.3	2.4	1.1	38.8	56.5	0.6	0.3	(²)
Dairy products	786	58,365	0.9	2.4	2.7	29.7	62.1	1.3	0.8	0.1
Fruits and vegetables . . .	375	88,024	0.4	0.4	1.4	73.8	23.8	(²)	0.2	(²)
Grain and soybeans . . .	333	27,133	5.1	2.2	0.9	35.6	46.6	4.4	5.0	0.2
Livestock	280	1,827	3.2	5.1	0.4	10.6	65.7	9.7	4.8	0.5
Poultry and eggs	53	3,117	0.5	1.6	1.4	8.7	82.1	4.0	1.7	(²)
Wool	74	291	—	—	—	5.7	81.6	9.2	1.4	2.1
Special crops and miscellaneous	139	34,426	5.4	1.3	1.2	53.7	37.7	0.4	0.2	0.1
Marketing/farm supply - total	2,378	151,969	3.0	4.4	2.1	20.9	57.0	6.8	5.0	0.8
Cotton/farm supply . . .	111	6,211	0.1	1.1	1.3	24.2	71.5	1.2	0.5	0.1
Dairy/farm supply	167	6,517	0.7	0.7	3.6	17.6	75.2	1.6	0.4	0.2
Fruits and vegetables/ farm supply	80	10,562	0.4	0.6	0.3	62.3	34.7	1.1	0.6	(²)
Grain/farm supply	1,816	91,115	3.7	3.5	0.6	16.1	59.4	9.9	5.6	1.2
Livestock/farm supply. . .	12	479	0.3	8.4	0.4	18.5	58.2	5.7	8.3	0.2
Poultry/farm supply . . .	60	9,377	0.2	0.4	8.5	17.2	72.1	1.0	0.5	0.1
Special crops/farm supply	22	744	1.2	8.5	6.7	22.9	57.5	2.4	0.8	(²)
Diversified marketing/ farm supply	110	26,964	4.0	11.9	5.0	22.3	44.7	3.4	8.5	0.2
Bargaining - total	242	9,220	0.2	1.1	4.1	9.7	81.8	2.2	0.8	0.1
Dairy	187	8,883	0.2	1.2	4.2	8.9	83.3	1.6	0.5	0.1
Poultry	8	2	—	—	—	53.9	—	46.1	—	—
Sugar beets	33	22	—	—	—	18.5	26.7	54.8	—	—
Fruits and vegetables . . .	14	313	—	—	—	32.1	45.9	14.6	7.4	—
Farm supply	2,204	120,160	1.5	5.1	0.4	25.9	55.6	5.8	5.3	0.4
Service	129	816	2.0	4.5	0.5	14.2	57.1	14.7	6.9	0.1
Total	7,317	524,615	2.0	3.2	1.5	35.5	50.5	3.8	3.1	0.4

¹ Of the 8,522 cooperatives, 7,317 had net savings, 1,101 had net losses, and 104 had net margins of zero.

² Less than 0.05 percent.

Table 50.—Distribution of net savings of 7,317 farmer cooperatives, by farm credit districts, based on percentage of total net savings, fiscal year 1962¹

Farm credit district	Number of associations with net savings	Total net savings	Percentage of total net savings distributed as—							
			Dividends and interest on—			Patronage refunds on current year's business		Unallo- cated reserves	Income taxes	
			Common stock	Preferred stock	Other equity capital	Paid in cash	Allocated		Federal	State
		<i>1,000 dollars</i>	<i>Percent</i>							
Springfield	452	49,660	0.7	4.4	2.4	55.8	27.9	3.5	5.2	0.1
Baltimore	347	15,708	8.6	14.9	1.6	21.1	51.2	1.0	0.9	0.7
Columbia	194	40,495	0.4	2.0	1.1	64.1	31.3	0.4	0.6	0.1
Louisville	482	20,464	7.6	12.4	0.5	8.8	58.5	5.8	2.0	4.4
New Orleans	185	17,211	4.5	1.7	0.8	37.0	50.0	3.2	2.6	0.2
St. Louis	626	52,162	1.1	7.1	1.9	34.3	42.7	5.4	7.4	0.1
St. Paul	2,045	75,013	1.5	1.8	1.0	13.0	77.9	2.9	1.7	0.2
Omaha	1,163	54,216	2.2	1.2	0.2	18.4	62.5	9.8	5.4	0.3
Wichita	574	48,978	3.7	0.7	0.4	24.4	55.8	8.4	6.1	0.5
Houston	410	27,147	0.6	3.9	0.6	22.7	70.5	1.1	0.6	(²)
Berkeley	390	96,887	1.5	0.4	1.9	62.5	30.8	1.5	1.2	0.2
Spokane	449	26,674	0.5	3.5	6.2	20.3	67.7	1.1	0.6	0.1
U.S. Total	7,317	524,615	2.0	3.2	1.5	35.5	50.5	3.8	3.1	0.4

¹ Of the 8,522 cooperatives, 7,317 had net savings, 1,101 had net losses, and 104 had net margins of zero.

² Less than 0.05 percent.

The 1,101 farmer cooperatives that reported net losses for fiscal year 1962 had combined losses of \$10 million. After payment of dividends and interest on equity capital of approximately \$400,000, these associations decreased their unallocated reserve accounts to cover 60 percent of their net losses. They distributed the other 40 percent to patrons on the basis of patronage during the year just as they would have distributed net savings. In most instances, this was done by reducing individual allocated reserve accounts, but in a few instances the losses were charged to patrons by debiting the individual accounts receivable of each one.

The distribution of net losses of the 1,101 cooperatives, on the basis of major function and commodity classification, is shown in table 51. Data are based on net losses after payment of dividends and interest on equity capital. Dividend and interest payments were made by less than 14 percent of the associations with losses. Comparable data on distribution of net losses are shown for the 1,101 cooperatives when classified by farm credit districts in table 52.

DISTRIBUTION OF NET SAVINGS AND LOSSES BY 7,536 LOCAL AND REGIONAL FARMER COOPERATIVES

Detailed data on amounts and distribution of net savings and losses were available for 7,100 local and 436 regional associations. Information presented in this section of this report is limited to data from these 7,536 associations--excluding 986 local nonrespondents. (According to individual estimates made for each of the 986 nonrespondents, which were included in the preceding section, 812 had net savings for their fiscal years ending in 1962 and 146 had net losses. Their total net savings were estimated to be \$13.5 million and their net losses \$199,000.)

Of the 7,536 local and regional cooperatives, 6,505, or 86 percent, reported net savings for their fiscal years ending in 1962. Net savings were reported by 390 of the 436 regionals and by 6,115 of the 7,100 locals. Figure 15 shows amounts and distribution of net savings for all 6,505 cooperatives and figure 16 shows dis-

Table 51.—Distribution of net losses by 1,101 regional and local farmer cooperatives reporting net losses in fiscal year 1962, by principal activity

Classification of associations	Number of associations with net losses	Total net losses	Percentage of total net losses distributed—	
			To patrons based on current year's business	As unallocated reserves
		<i>1,000 dollars</i>	<i>Percent</i>	
Marketing - total	522	3,728	66.8	33.2
Cotton and cotton products	62	437	54.8	45.2
Dairy products	166	1,613	77.7	22.3
Fruits and vegetables	80	734	83.6	16.4
Grain and soybeans	41	557	48.4	51.6
Livestock	114	111	15.4	84.6
Poultry and eggs	9	107	83.2	16.8
Wool and mohair	30	5	—	100.0
Special crops and miscellaneous	20	164	21.2	78.8
Marketing/farm supply - total	178	3,743	36.3	63.7
Cotton/farm supply	7	36	9.5	90.5
Dairy/farm supply	23	829	86.8	13.2
Fruits and vegetables/farm supply	12	201	62.4	37.6
Grain/farm supply	115	1,888	22.5	77.5
Livestock/farm supply	2	31	—	100.0
Poultry/farm supply	7	639	18.0	82.0
Special crops/farm supply	1	1	—	100.0
Diversified marketing/farm supply	11	118	—	100.0
Bargaining - total	61	263	38.9	61.1
Dairy	39	159	58.4	41.6
Fruits and vegetables	12	92	6.2	93.8
Poultry	1	(¹)	—	100.0
Sugar beet	9	12	11.7	88.3
Farm supply	287	2,335	9.1	90.9
Service	53	110	26.2	73.8
Total	1,101	10,179	40.0	60.0

¹ Less than 500 dollars.

tribution separately for the 390 regionals and the 6,115 locals. Detailed data covering distribution of net savings of regional farmer cooperatives was published in General Report 133,⁸ and the following section of this report (pages 83 through 89) reports exclusively for the 7,100 local cooperatives.

The 6,505 cooperatives, as a total group, distributed net savings in almost exactly the same pattern as the larger group of 7,317 cooperatives that included estimates for 986 local nonrespondents (table 48). Distribution

made by the 6,505 cooperatives is shown in table 53 on the basis of major function and commodity classification of the associations. This table shows that combined net savings of the 6,505 local and regional cooperatives amounted to \$511 million for fiscal year 1962.

Of this amount, almost \$18 million, or 3.5 percent, was used to pay Federal and State income taxes. Most of this income tax was paid by the cooperatives handling farm supplies. Income taxes accounted for 5.8 percent of the total net savings of the 1,952 farm supply cooperatives and for the same percentage of total net savings of the 2,128 marketing/farm supply group. These percentages compare with only 1 percent for the 2,055 marketing associations,

⁸ Griffin, Nelda. Financial Structure of Regional Farmer Cooperatives. Farmer Coop. Service, U.S. Dept. Agr., Gen. Rpt. 133, April 1966.

Table 52.—Distribution of net losses by 1,101 regional and local farmer cooperatives reporting net losses in fiscal year 1962, by farm credit districts

Farm credit district	Number of associations with net losses	Total net losses	Percentage of total net losses distributed—	
			To patrons based on current year's business	As unallocated reserves
			<i>1,000 dollars</i>	<i>— — — Percent</i>
Springfield . . .	93	937	45.4	54.6
Baltimore	89	680	34.1	65.9
Columbia	31	382	90.2	9.8
Louisville	90	1,995	43.7	56.3
New Orleans . .	36	971	16.0	84.0
St. Louis	92	703	21.5	78.5
St. Paul	332	925	38.0	62.0
Omaha	93	468	36.3	63.7
Wichita	48	371	12.2	87.8
Houston	76	505	49.5	50.5
Berkeley	46	493	63.8	36.2
Spokane	75	1,749	59.8	40.2
U.S. total . .	1,101	10,179	40.0	60.0

and less than 1 percent for the 242 bargaining cooperatives. As shown in table 53, the cooperatives marketing grain and soybeans, as a group, reported more substantial income tax payments than those marketing other farm products. The small group of 128 service cooperatives had combined net savings of less than \$1 million, and 7 percent of this was used to pay Federal and State income taxes.

Net savings, after taxes, of the 6,505 cooperatives totaled \$493 million. Over \$34 million of this amount, or 7 percent, was paid to members and patrons of the cooperatives as dividends and interest on stock and other equity capital. The farm supply and marketing/farm supply associations paid the largest percentages, 7 and 10 percent, respectively, of their net savings after taxes as dividends and interest on their equity capital. The percentage for the marketing cooperatives was 5.

FIGURE 15

6,505 Local and Regional Farmer Cooperatives, Fiscal Year 1962

DISTRIBUTION OF NET SAVINGS

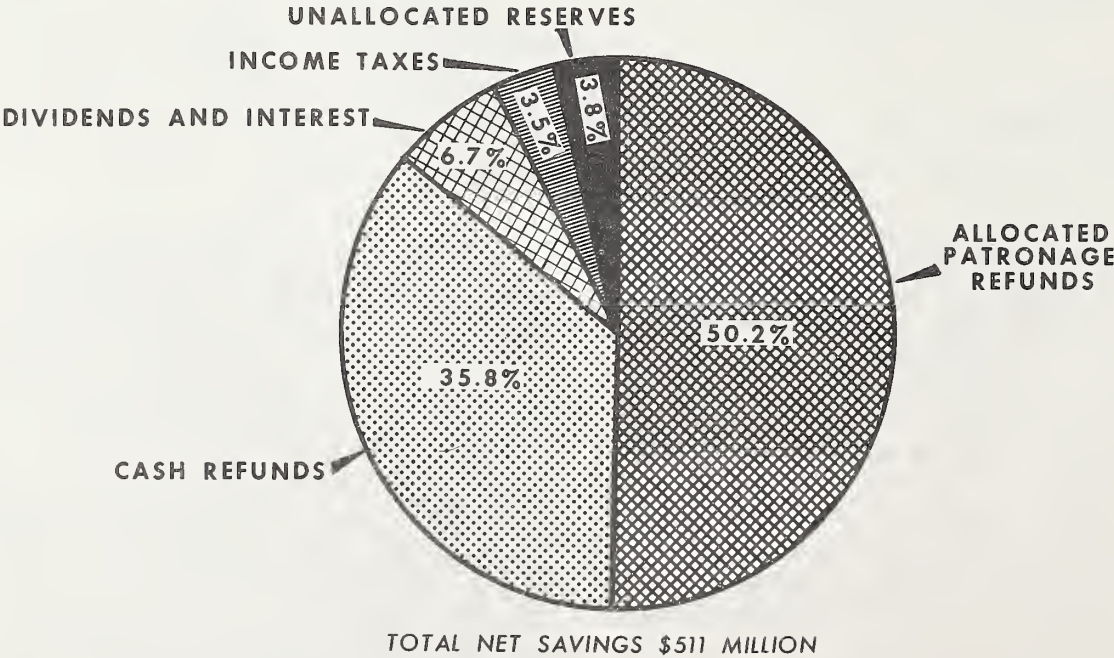
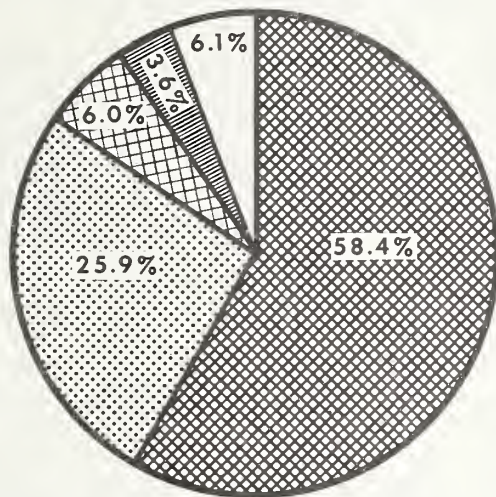


FIGURE 16

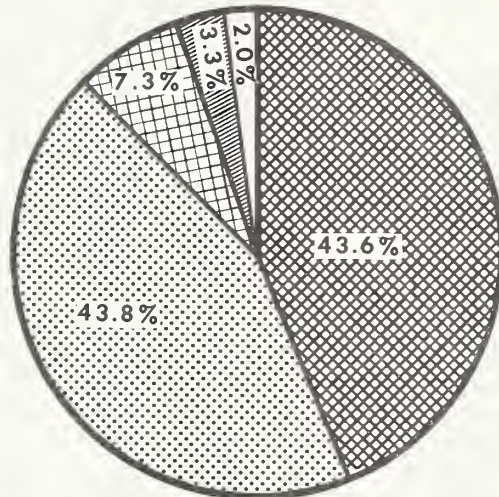
DISTRIBUTION OF NET SAVINGS AND MARGINS OF 6,505 FARMER COOPERATIVES, FISCAL YEAR 1962

6,115 LOCAL ASSOCIATIONS



Total Net Savings and Margins
\$227 Million

390 REGIONAL ASSOCIATIONS



Total Net Savings and Margins
\$284 Million



ALLOCATED PATRONAGE REFUNDS
CASH PATRONAGE REFUNDS



DIVIDENDS AND INTEREST
ON EQUITY CAPITAL



INCOME TAXES
UNALLOCATED RESERVES

The 6,505 cooperatives retained as unallocated reserves 4 percent of their combined net savings after taxes. The farm supply associations retained on an unallocated basis 6 percent of their after-tax net savings, and the marketing/farm supply group retained 7 percent, compared with less than 1 percent for the marketing associations.

The balance of combined net savings of the 6,505 cooperatives, or 89 percent of their total net savings after taxes, was distributed to patrons of the cooperatives as patronage refunds on the current year's business. These 6,505 associations distributed patronage refunds for the year totaling \$440 million. Almost 42 percent of these refunds were distributed in cash and the other 58 percent were distributed

as stock credits, equity certificates, or allocated book credits.

The 1,952 farm supply cooperatives refunded 87 percent of their net savings after taxes to their patrons on the basis of patronage during the year. Thirty-two percent of the refunds were distributed in cash.

The 2,128 marketing/farm supply cooperatives distributed 83 percent of their net savings after taxes as patronage refunds. They distributed 27 percent of the current year's refunds in cash.

The 2,055 marketing associations distributed 94 percent of their net savings after taxes as patronage refunds. They paid 55 percent of the refunds in cash.

Table 53.—Distribution of net savings of 6,505 farmer cooperatives, by principal activity, based on percentage of total net savings, fiscal year 1962¹

Classification of associations	Number of associa- tions with net savings	Total net savings	Percentage of total net savings distributed as—							
			Dividends and interest on			Patronage refunds on current year's business	Unallo- cated reserves	Income taxes		
			Common stock	Preferred stock	Other equity capital					
						Paid in cash		Allo- cated	Federal	State
		<i>1,000 dollars</i>	<i>Percent</i>							
Marketing - total	2,055	238,647	1.8	1.5	1.6	50.8	42.2	1.1	0.9	0.1
Cotton and cotton products	264	28,315	0.3	2.4	1.1	39.3	56.1	0.6	0.2	(2)
Dairy products	665	56,698	0.9	2.4	2.8	30.1	61.6	1.3	0.8	0.1
Fruits and vegetables . . .	324	87,536	0.3	0.4	1.4	73.8	23.8	0.1	0.2	(2)
Grain and soybeans	280	26,650	5.2	2.1	0.9	35.8	46.4	4.4	5.0	0.2
Livestock	278	1,826	3.2	5.1	0.4	10.6	65.7	9.7	4.8	0.5
Poultry and eggs	44	2,996	0.5	1.7	1.4	8.6	82.2	3.9	1.7	(2)
Wool	74	291	—	—	—	5.7	81.6	9.2	1.4	2.1
Special crops and miscellaneous	126	34,335	5.5	1.3	1.2	53.7	37.6	0.4	0.2	0.1
Marketing/farm supply - total	2,128	145,531	3.0	4.5	2.1	20.9	56.9	6.8	5.0	0.8
Cotton/farm supply	83	5,588	0.1	1.1	1.3	24.2	71.5	1.2	0.5	0.1
Dairy/farm supply	161	6,429	0.7	0.7	3.6	17.6	75.2	1.6	0.4	0.2
Fruits and vegetables/ farm supply	71	10,235	0.4	0.6	0.3	62.2	34.8	1.1	0.6	(2)
Grain/farm supply	1,639	86,108	3.7	3.5	0.7	16.0	59.4	9.9	5.6	1.2
Livestock/farm supply . . .	11	478	0.3	8.4	0.4	18.5	58.2	5.7	8.3	0.2
Poultry/farm supply	48	9,168	0.2	0.3	8.7	17.2	72.0	1.0	0.5	0.1
Special crops/farm supply	19	739	1.2	8.5	6.8	22.8	57.5	2.4	0.8	(2)
Diversified marketing/ farm supply	96	26,786	4.0	11.9	5.1	22.3	44.6	3.4	8.5	0.2
Bargaining - total	242	9,220	0.2	1.1	4.1	9.7	81.8	2.2	0.8	0.1
Dairy	187	8,883	0.2	1.2	4.2	8.9	83.3	1.6	0.5	0.1
Poultry	8	2	—	—	—	53.9	—	46.1	—	—
Sugar beet	33	22	—	—	—	18.5	26.7	54.8	—	—
Fruits and vegetables . . .	14	313	—	—	—	32.1	45.9	14.6	7.4	—
Farm supply	1,952	116,858	1.5	5.1	0.4	25.9	55.6	5.7	5.4	0.4
Service	128	816	2.0	4.5	0.5	14.2	57.1	14.7	6.9	0.1
Total	6,505	511,072	2.0	3.2	1.5	35.8	50.2	3.8	3.1	0.4

¹ Of the 8,522 cooperatives, 7,317 had net savings, and completed questionnaires were received from 6,505 of the associations.

² Less than 0.05 percent.

An analysis of the distribution of net savings of the 6,505 cooperatives, based on number of associations using each method of distribution rather than on amounts distributed, is shown in table 54, by major function and commodity classification.

Of the 6,505 cooperatives, 24 percent paid dividends on outstanding common stock; 27

percent paid dividends on preferred stock; and 6 percent paid interest on other types of equity capital. Thirty-two percent of the associations distributed some of their patronage refunds on the current year's business to patrons in cash; and 73 percent distributed some patronage refunds in the form of capital stock, equity certificates, or allocated capital credits with patrons notified.

Table 54.—Distribution of 1962 net savings of 6,505 local and regional farmer cooperatives, by principal activity, based on number of associations involved

Classification of associations	Number of associa- tions with net savings	Percentage of associations distributing any net savings as—							
		Dividends and interest on—			Patronage refunds on current year's business		Unallo- cated reserves	Income taxes	
		Common stock	Preferred stock	Other equity capital				Federal	State
		-----Percent-----							
Marketing - total	2,055	18.1	15.0	6.5	29.3	66.1	32.5	20.8	12.7
Cotton and cotton products	264	12.9	22.7	6.8	48.1	81.8	18.1	12.1	9.8
Dairy products	665	22.4	17.0	7.5	19.5	79.5	23.2	17.9	12.9
Fruits and vegetables	324	6.2	8.6	7.7	52.8	51.5	15.4	12.3	3.4
Grain and soybeans	280	45.0	21.8	3.6	38.2	81.8	40.4	50.4	39.3
Livestock	278	5.0	4.0	0.7	7.9	27.3	71.6	19.8	4.3
Poultry and eggs	44	11.4	18.2	4.5	15.9	86.4	29.5	36.4	4.5
Wool	74	—	—	—	1.4	21.6	82.4	6.8	2.7
Special crops and miscellaneous.	126	18.3	22.2	20.6	30.2	69.8	22.2	15.9	8.7
Marketing/farm supply - total	2,128	37.0	30.6	7.7	32.7	84.2	58.8	56.2	40.6
Cotton/farm supply	83	10.8	18.1	9.6	45.8	92.8	27.7	20.5	20.5
Dairy/farm supply	161	32.3	16.1	2.5	28.6	93.2	16.8	14.3	9.3
Fruits and vegetables/farm supply.	71	4.2	9.9	5.6	53.5	67.6	26.8	23.9	5.6
Grain/farm supply.	1,639	42.4	32.2	7.5	31.1	85.1	66.3	65.2	47.7
Livestock/farm supply	11	9.1	45.5	9.1	18.2	90.9	54.5	45.5	45.5
Poultry/farm supply	48	14.6	18.8	29.2	31.3	75.0	43.8	35.4	31.3
Special crops/farm supply	19	10.5	31.6	15.8	21.1	78.9	26.3	10.5	5.3
Diversified marketing/farm. supply.	96	18.7	59.4	7.3	43.8	62.5	65.6	46.9	27.1
Bargaining - total.	242	0.8	1.7	4.5	9.1	42.6	62.0	7.4	4.1
Dairy	187	1.1	2.1	5.9	9.1	51.3	55.1	8.6	5.3
Poultry	8	—	—	—	12.5	—	100.0	—	—
Sugar beet	33	—	—	—	3.0	3.0	97.0	—	—
Fruits and vegetables	14	—	—	—	21.4	42.9	50.0	14.3	—
Farm supply	1,952	19.5	40.2	3.4	38.7	73.9	55.2	62.7	29.6
Service	128	7.8	21.1	2.3	7.0	55.5	45.3	32.0	10.2
Total	6,505	23.8	27.3	5.8	32.0	73.2	49.3	44.7	26.5

Approximately half of the cooperatives retained some portion of their net savings in the form of unallocated reserves.

Federal income taxes were paid by 45 percent of the associations, and State income taxes were paid by 26 percent. Of the 1,952 farm supply cooperatives with net savings in 1962, 63 percent paid some Federal income taxes and 30 percent paid some State income taxes. Fifty-six percent of the 2,128 marketing/farm supply cooperatives paid some Federal income taxes and about 41 percent paid some State income taxes. Of the 2,055 primarily market-

ing cooperatives, 21 percent paid some Federal income taxes and 13 percent paid State income taxes.

Some cooperatives with net savings in fiscal year 1962 were not required to pay income taxes because they distributed all their savings to members and patrons as patronage refunds pursuant to a preexisting written obligation. In some instances, Federal income taxes were not due because of a tax loss carryforward.

All farmer cooperatives were required to pay Federal income taxes on that portion of their 1962 savings retained as unallocated reserves.

They were not required to pay taxes on any portion of their net savings distributed as cash patronage refunds or as allocated patronage refunds, if patrons were properly notified. Exempt cooperatives could exclude from taxable income amounts paid as dividends on capital stock and amounts of nonpatronage income they distributed in cash or allocated on a patronage basis.

The Revenue Act of 1962, approved in October 1962, became effective for the taxable years beginning after December 31, 1962. This act has had some bearing on distribution of net savings and margins made by farmer cooperatives for fiscal years beginning on or after January 1, 1963. For example, cooperatives are now required to pay at least 20 percent of their patronage refunds in cash--and meet other technical requirements--in order to "qualify" their written noncash patronage refunds.

Late in 1962, Farmer Cooperative Service published information concerning changes in

the tax laws affecting the tax treatment of farmer cooperatives and their patrons and the tax reporting requirements applicable to such cooperatives.⁹

Total 1962 net savings of the 6,505 cooperatives and distribution made of these savings are shown in table 55 by farm credit districts. Table 56 shows the percentage of associations that distributed any of their savings as dividends, interest, patronage refunds, unallocated reserves, and income taxes. These two tables provide data for a comparison of the percentage of each group of associations involved in the distribution of net savings each way and the percentage of their combined net savings distributed each way.

⁹ Mischler, Raymond, and Volkin, David. How the Revenue Act of 1962 Affects Farmer Cooperatives. Farmer Coop. Service, U.S. Dept. Agr., Gen. Rpt. 105, Oct. 1962.

Table 55.—Distribution of net savings of 6,505 farmer cooperatives, by farm credit districts, based on percentage of total net savings, fiscal year 1962¹

Farm credit district	Number of associations with net savings	Total net savings	Percentage of total net savings distributed as—							
			Dividends and interest on—			Patronage refunds on current year's business		Unallo- cated reserves	Income taxes	
			Common stock	Preferred stock	Other equity capital				Federal	State
						Paid in cash	Allocated			
		<i>1,000 dollars</i>	<i>Percent</i>							
Springfield	427	49,317	0.7	4.4	2.4	56.0	27.8	3.5	5.2	(²)
Baltimore	332	15,137	8.6	15.1	1.6	21.5	50.8	0.8	0.9	0.7
Columbia	135	39,333	0.4	2.0	1.2	64.2	31.1	0.4	0.6	0.1
Louisville	450	19,771	7.6	12.5	0.5	8.8	58.5	5.8	1.9	4.4
New Orleans	120	16,466	4.6	1.7	0.7	37.2	49.6	3.3	2.7	0.2
St. Louis	533	50,731	1.1	7.1	1.8	34.1	43.0	5.3	7.5	0.1
St. Paul	1,899	73,230	1.5	1.8	1.0	13.0	78.0	2.8	1.7	0.2
Omaha	1,008	51,546	2.2	1.2	0.2	18.4	62.7	9.7	5.4	0.2
Wichita	518	47,863	3.8	0.7	0.4	24.5	55.7	8.3	6.1	0.5
Houston	345	26,417	0.6	3.9	0.6	22.7	70.6	1.0	0.6	(²)
Berkeley	339	95,594	1.5	0.4	1.9	62.7	30.6	1.5	1.2	0.2
Spokane	399	25,667	0.4	3.5	6.3	20.1	67.9	1.1	0.6	0.1
U.S. total	6,505	511,072	2.0	3.2	1.5	35.8	50.2	3.8	3.1	0.4

¹ Of the 8,522 cooperatives, 7,317 had net savings and completed questionnaires were received from 6,505 of the associations.

² Less than 0.05 percent.

Table 56.—Distribution of 1962 net savings of 6,505 local and regional farmer cooperatives, by farm credit districts, based on number of associations involved

Farm credit district	Number of associations with net savings	Percentage of associations distributing any net savings as—							
		Dividends and interest on			Patronage refunds on current year's business		Unallocated reserves	Income taxes	
		Common stock	Preferred stock	Other equity capital				Federal	State
					Paid in cash	Allocated			
		<i>Percent</i>							
Springfield	427	9.8	43.6	3.7	43.3	26.9	74.2	53.6	2.3
Baltimore	332	27.4	53.0	3.6	32.8	60.8	68.1	33.4	34.9
Columbia	135	10.4	17.0	7.4	29.6	71.9	28.1	20.7	9.6
Louisville	450	35.8	63.8	2.0	26.4	75.6	63.3	49.6	22.4
New Orleans	120	15.0	20.0	20.0	40.8	71.7	23.3	18.3	14.2
St. Louis	533	20.1	47.2	12.6	53.2	58.6	66.4	65.0	13.9
St. Paul	1,899	26.4	18.3	3.2	18.8	80.2	34.9	38.9	28.1
Omaha	1,008	33.7	23.1	6.4	28.7	84.1	69.0	66.4	37.1
Wichita	518	32.6	14.1	6.0	38.0	86.1	77.0	71.6	72.4
Houston	345	14.5	25.8	4.3	41.2	83.5	14.5	7.2	0.3
Berkeley	339	1.8	3.8	8.6	55.2	55.5	12.4	8.6	8.3
Spokane	399	12.0	17.8	9.8	31.3	78.7	27.1	28.6	20.6
U.S. total	6,505	23.8	27.3	5.8	32.0	73.2	49.3	44.7	26.5

DISTRIBUTION OF NET SAVINGS AND LOSSES BY 7,100 LOCAL COOPERATIVES

Of the 7,100 local cooperatives included in this study, 6,115 reported net savings at the close of their 1962 fiscal years, 914 reported net losses, and the other 71 associations reported a net operating figure of zero. There was a decided difference in how these cooperatives distributed their respective savings and losses. Therefore, the 6,115 cooperatives with actual net savings and the 914 cooperatives with net losses were analyzed separately. The 71 associations with an operating margin of zero were excluded altogether in this section of this report.

Combined 1962 net savings of the 6,115 local cooperatives with savings amounted to approximately \$227 million. Figure 17 shows how these savings were distributed by the cooperatives.

After payment of Federal and State income taxes, which accounted for 3.6 percent of the \$227 million net savings of the local cooperatives, \$218.6 million was left for distribution to members and patrons.

Dividends and interest paid on equity capital amounted to \$13.5 million, or 6 percent of

after-tax net savings. Nearly \$13 million, or 6.3 percent, was retained by the cooperatives as unallocated reserves.

The balance of total net savings, amounting to over \$191 million, was distributed to patrons as patronage refunds on the current year's business. Over 87 percent of total net savings, after taxes, were distributed as patronage refunds based on the current year's business with each patron. Approximately 31 percent of these patronage refunds were paid in cash. The remaining 69 percent were distributed to patrons in the form of stock or equity certificates or as capital credits.

Figure 18 shows the distribution pattern of net savings of the 6,115 local cooperatives separately for the three major functional groups of cooperatives--marketing, marketing/farm supply, and farm supply, Table 57 shows the distribution by commodity groups as well as by major function. Comparable data, based on the number of associations using each method of distribution rather than on amounts distributed, are shown in table 58.

Of the 6,115 local cooperatives, 24 percent paid dividends on outstanding common stock; 27 percent paid dividends on preferred stock;

FIGURE 17

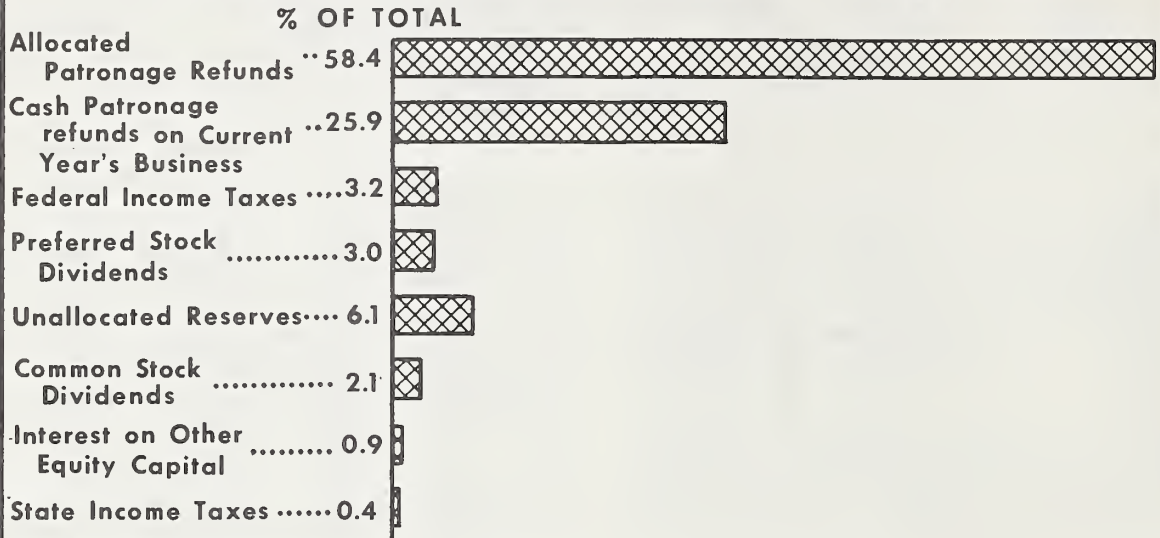
6,115 Local Farmer Cooperatives, Fiscal Year 1962**DISTRIBUTION OF TOTAL NET SAVINGS OF \$227 MILLION**

FIGURE 18

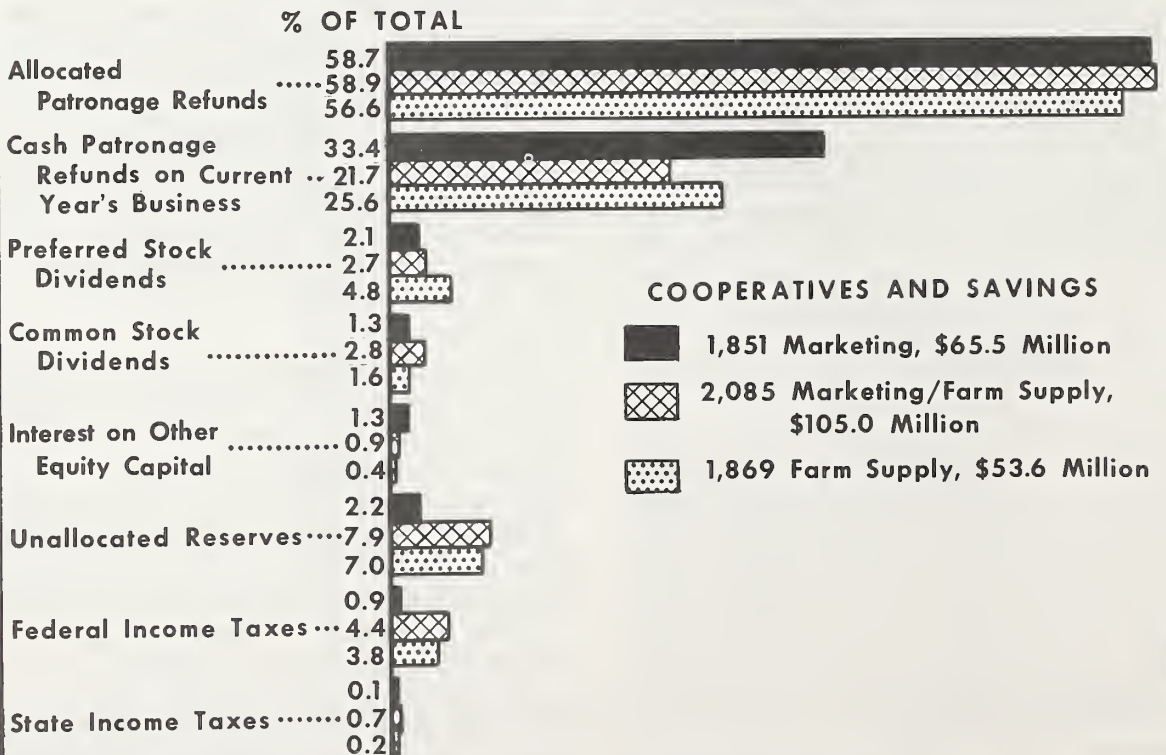
Local Farmer Cooperatives, Fiscal Year 1962**DISTRIBUTION OF TOTAL NET SAVINGS BY THREE MAJOR FUNCTIONAL GROUPS OF COOPERATIVES**

Table 57.—Distribution of net savings of 6,115 local farmer cooperatives, by principal activity, based on percentage of total net savings, fiscal year 1962¹

Classification of associations	Number of associations with net savings	Total net savings	Percentage of total net savings distributed as—							
			Dividends and interest on—			Patronage refunds on current year's business		Unallo- cated reserves	Income taxes	
			Common stock	Preferred stock	Other equity capital				Federal	State
						Paid in cash	Allo- cated			
		<i>1,000 dollars</i>	<i>Percent</i>							
Marketing - total	1,851	65,554	1.3	2.1	1.3	33.4	58.7	2.2	0.9	0.1
Cotton and cotton products . .	239	11,366	0.4	2.1	0.5	24.0	71.5	1.2	0.3	(2)
Dairy products	619	18,141	1.8	2.6	1.4	13.9	77.2	2.2	0.7	0.2
Fruits and vegetables	294	19,701	0.4	1.2	1.3	66.0	30.2	0.6	0.3	(2)
Grain and soybeans	265	8,872	3.4	4.1	0.1	24.8	59.4	5.2	2.8	0.2
Livestock	250	334	4.3	0.9	—	10.4	47.8	29.9	6.4	0.3
Poultry and eggs	38	2,314	0.1	0.9	1.8	11.1	80.9	3.8	1.4	(2)
Wool	59	10	—	—	—	—	2.7	96.1	1.2	—
Special crops and miscellaneous	87	4,816	2.5	1.1	5.0	23.5	64.6	2.0	1.2	0.1
Marketing/farm supply - total . . .	2,085	104,968	2.8	2.7	0.9	21.7	58.9	7.9	4.4	0.7
Cotton/farm supply	83	5,588	0.1	1.1	1.4	24.2	71.5	1.2	0.5	(2)
Dairy/farm supply	161	6,429	0.7	0.7	3.6	17.6	75.2	1.6	0.4	0.2
Fruits and vegetables/farm supply	68	9,889	0.4	0.5	0.3	63.5	33.6	1.1	0.6	(2)
Grain/farm supply	1,619	75,759	3.6	2.8	0.6	16.8	59.5	10.0	5.7	1.0
Livestock/farm supply	11	478	0.3	8.4	0.4	18.5	58.2	5.7	8.3	0.2
Poultry/farm supply	38	2,218	0.8	0.8	2.0	18.4	74.1	2.7	1.0	0.2
Special crops/farm supply . . .	19	739	1.2	8.5	6.8	22.7	57.5	2.5	0.8	(2)
Diversified marketing/farm supply	86	3,868	2.3	9.4	0.7	17.4	57.5	9.1	3.4	0.2
Bargaining - total	198	2,244	0.6	0.2	1.1	12.1	74.4	8.4	3.0	0.2
Dairy	153	2,063	0.7	0.2	1.2	8.3	80.9	6.4	2.1	0.2
Poultry	8	2	—	—	—	53.9	—	46.1	—	—
Sugar beets	26	10	—	—	—	—	—	100.0	—	—
Fruits and vegetables	11	169	—	—	—	59.7	(0.3)	27.0	13.6	—
Farm supply	1,869	53,569	1.6	4.8	0.4	25.6	56.6	7.0	3.8	0.2
Service	112	595	2.5	6.1	0.7	12.6	48.5	20.1	9.3	0.2
Total	6,115	226,930	2.1	3.0	0.9	25.9	58.4	6.1	3.2	0.4

¹ Of the 7,100 locals included in this study, 6,115 had net savings, 914 had net losses, and 71 had net margins of zero.

² Less than 0.05 percent.

and 5 percent paid interest on other types of equity capital. Thirty-two percent of the associations distributed some of their patronage refunds on the current year's business to patrons in cash; and 73 percent distributed some patronage refunds in the form of capital stock, equity certificates, or allocated capital credits with patrons notified.

Half of the associations retained some portion of their net savings in the form of unallocated reserves.

Federal income taxes were paid by 45 percent of the associations, and State income taxes were paid by 27 percent.

As shown in table 58, 32 percent of the 6,115 local cooperatives distributed some portion of their 1962 net savings as cash patronage refunds. About 26 percent of total net savings of the 6,115 cooperatives was distributed in this manner (table 57). Table 59 shows what percentage of these local associations returned various levels of their savings as cash patronage refunds.

Table 58.—Distribution of net savings of 6,115 local farmer cooperatives, based on number of associations involved, by principal activity, for fiscal year 1962

Classification of associations	Number of associations with net savings	Percentage of associations distributing any net savings as—							
		Dividends and interest on—			Patronage refunds on current year's business		Unallocated reserves	Income taxes	
		Common stock	Preferred stock	Other equity capital	Cash	Allocated		Federal	State
		-----Percent-----							
Marketing - total	1,851	17.6	13.9	4.8	28.3	64.2	33.3	20.4	11.8
Cotton and cotton products	239	11.7	21.8	3.8	45.6	82.0	18.0	10.8	8.8
Dairy products	619	22.8	16.6	6.3	19.1	78.5	23.4	17.9	12.1
Fruits and vegetables	294	5.1	8.2	6.1	50.3	51.0	15.0	11.2	2.0
Grain and soybeans	265	43.8	20.0	1.8	37.0	81.5	39.6	49.8	39.6
Livestock	250	3.6	2.4	—	6.8	21.6	76.0	16.8	1.6
Poultry and eggs	38	10.5	15.8	5.2	18.4	84.2	31.6	39.4	5.2
Wool	59	—	—	—	—	1.6	98.3	5.1	—
Special crops and miscellaneous	87	16.1	16.1	19.5	31.0	63.2	23.0	17.2	6.9
Marketing/farm supply - total	2,085	37.3	30.4	7.2	32.4	84.0	58.8	56.1	40.6
Cotton/farm supply	83	10.8	18.1	9.6	45.8	92.8	27.7	20.4	20.4
Dairy/farm supply	161	32.2	16.1	2.4	28.6	93.2	16.8	14.2	9.3
Fruits and vegetables/farm supply	68	4.4	8.8	5.8	52.9	66.2	25.0	23.5	5.8
Grain/farm supply	1,619	42.6	31.9	7.2	30.9	85.0	66.2	65.0	47.6
Livestock/farm supply	11	9.1	45.4	9.1	18.2	90.9	54.5	45.4	45.4
Poultry/farm supply	38	15.8	18.4	23.6	28.9	71.1	42.1	39.4	31.6
Special crops/farm supply	19	10.5	31.6	15.8	21.1	78.9	26.3	10.5	5.3
Diversified marketing/farm supply	86	17.4	59.3	4.6	43.0	60.4	67.4	45.3	26.7
Bargaining - total	198	0.5	0.5	2.0	9.1	33.3	71.7	7.1	2.5
Dairy	153	0.6	0.6	2.6	9.2	41.2	66.0	8.4	3.2
Poultry	8	—	—	—	12.5	—	100.0	—	—
Sugar beet	26	—	—	—	—	—	100.0	—	—
Fruits and vegetables	11	—	—	—	27.2	27.2	63.6	9.1	—
Farm supply	1,869	19.4	40.6	3.0	38.4	73.6	55.5	63.0	29.8
Service	112	8.0	24.1	2.6	6.2	50.8	51.8	33.0	8.9
Total	6,115	24.2	27.4	5.0	31.8	72.6	50.4	45.4	26.8

Sixty-eight percent of the 6,115 associations reported that none of their net savings were distributed as cash patronage refunds. In many instances, the amount of total net savings was not sufficient to warrant distribution to individual patrons, either in cash or as allocated capital. This was particularly true of the bargaining and service cooperatives. A comparison of amounts distributed by the cooperatives

as cash refunds with number of cooperatives involved indicated, as would be expected, that the associations with larger net savings generally returned more as cash patronage refunds.

Table 59 shows that almost 13 percent of the 1,851 local marketing cooperatives distributed 80 percent or more of their savings in cash patronage refunds in 1962. Marketing co-

Table 59.—Percentage of 6,115 local farmer cooperatives with 1962 net savings, returning various levels of their savings as cash patronage refunds

Level of cash patronage refunds as a percentage of net savings	Percentage of Associations					
	Marketing (1,851 assns.)	Marketing/farm supply (2,085 assns.)	Farm supply (1,869 assns.)	Bargaining (198 assns.)	Service (112 assns.)	Total (6,115 assns.)
	-----Percent-----					
0	71.7	67.6	61.6	90.9	93.8	68.2
1 - 19	2.8	7.9	10.3	1.0	—	6.7
20 - 39	4.2	9.0	7.6	1.5	1.8	6.8
40 - 59	5.4	6.9	9.1	1.5	0.9	6.9
60 - 79	3.3	4.5	6.1	2.0	—	4.4
80 and above	12.6	4.1	5.3	3.1	3.5	7.0

operatives, in general, paid farmer members an amount nearly equal to the market price of the product delivered for marketing during the marketing period. However, a few cooperatives, either by policy or by circumstances, paid members an amount substantially less than the market price as an initial payment for the product. In these cases, a relatively large net savings figure resulted, which represented, in part, final payment for the products marketed, and, in part savings due to the cooperative's marketing operation. We separated such payments for products marketed from net savings whenever we recognized a situation of this type, and reduced net savings of the association to include only savings from operations. However, the reported net savings of some marketing cooperatives, undoubtedly, still include final payments for products marketed. In situations of this type, the cooperatives naturally returned higher percentages of their savings as cash patronage refunds. This helps to account for the relatively higher percentages of marketing cooperatives returning 80 percent or more of their net savings in cash refunds.

The Revenue Act of 1962 (see page 82 of this report) has provisions which directly pertain to the percentage of each year's patronage refunds to be returned to patrons in

cash. The period covered by this report was previous to the effective date of this act. Therefore, the number of cooperatives distributing patronage refunds in cash and the amount of the cash payments for periods after the Revenue Act became effective could be substantially increased.

Tables 60 and 61 show distribution of 1962 net savings of the 6,115 local cooperatives, when classified by farm credit districts.

Of the 7,100 local cooperatives, 914 reported net losses for fiscal year 1962 totaling \$6.8 million. After payments of dividends and interest on equity capital of approximately \$384,000, these associations decreased their unallocated reserve accounts to cover 57 percent of their net losses. They distributed the other 43 percent to patrons on the basis of patronage during the year just as they would have distributed net savings. In most instances, this was done by reducing individual allocated reserve accounts, but in a few instances, the losses were charged to patrons by debiting the individual accounts receivable of each one.

Of the 914 associations, 258 allocated some or all of their losses to individual patrons, and 671 decreased their unallocated reserve accounts without allocating the losses to patrons.

Table 60.—Distribution of net savings of 6,115 local farmer cooperatives, by farm credit districts, based on percentage of total net savings, fiscal year 1962¹

Farm credit district	Number of associations with net savings	Total net savings	Percentage of total net savings distributed as—							
			Dividends and interest on—			Patronage refunds on current year's business		Unallocated reserves	Income taxes	
			Common stock	Preferred stock	Other equity capital				Federal	State
						Paid in cash	Allocated			
		<i>1,000 dollars</i>	<i>Percent</i>							
Springfield	405	8,173	1.4	7.1	1.0	25.1	42.6	16.0	6.8	(²)
Baltimore	311	7,991	5.6	11.7	0.7	12.5	63.1	4.4	1.5	0.5
Columbia	110	12,946	0.5	1.4	0.5	59.2	36.4	1.1	0.8	0.1
Louisville	413	10,580	7.5	10.7	0.1	9.3	57.7	6.7	2.9	5.1
New Orleans	103	4,448	0.7	1.9	1.3	32.3	60.2	2.2	1.3	0.1
St. Louis	499	17,200	2.0	8.0	2.4	40.2	31.0	9.6	6.8	(²)
St. Paul	1,825	41,511	2.0	1.5	0.6	14.8	76.4	3.0	1.5	0.2
Omaha	966	39,141	1.9	1.1	0.3	18.7	59.8	11.8	6.1	0.3
Wichita	503	32,600	3.1	0.8	0.4	20.2	60.3	9.4	5.3	0.5
Houston	325	16,996	0.8	3.7	0.6	24.3	68.3	1.5	0.8	(²)
Berkeley	287	21,363	0.1	0.4	1.5	50.6	46.2	0.8	0.4	(²)
Spokane	368	13,981	0.8	3.5	3.3	26.8	63.6	1.4	0.5	0.1
U.S. total	6,115	226,930	2.1	3.0	0.9	25.9	58.4	6.1	3.2	0.4

¹ Of the 7,100 locals included in this study, 6,115 had net savings, 914 had net losses, and 71 had net margins of zero.

² Less than 0.05 percent.

The distribution of net losses of the 914 cooperatives, on the basis of major function and commodity classification, is shown

in table 62. Distribution of the same data by farm credit districts is shown in table 63.

Table 61.—Distribution of 1962 net savings of 6,115 local farmer cooperatives, by farm credit districts, based on number of association involved

Farm credit district	Number of associations with net savings	Percentage of associations distributing any net savings as—							
		Dividends and interest on			Patronage refunds on current year's business		Unallocated reserves	Income taxes	
		Common stock	Preferred stock	Other equity capital				Federal	State
					Paid in cash	Allocated			
		<i>Percent</i>							
Springfield	405	9.4	44.4	3.0	43.9	23.0	77.5	55.8	1.7
Baltimore	311	27.3	53.7	2.6	33.1	59.2	70.1	34.1	34.1
Columbia	110	10.0	12.7	6.4	28.2	71.8	28.2	17.3	8.2
Louisville	413	36.1	66.1	1.5	26.6	74.6	66.1	50.8	23.0
New Orleans	103	11.6	17.5	19.4	31.1	80.6	20.4	15.5	10.7
St. Louis	499	21.0	47.7	11.8	53.7	57.3	68.1	66.3	12.8
St. Paul	1,825	26.7	18.1	2.8	18.6	79.8	35.1	39.0	28.6
Omaha	966	34.1	23.5	6.2	28.6	84.1	69.8	66.5	37.4
Wichita	503	32.8	13.9	5.2	37.8	85.9	77.1	71.8	72.8
Houston	325	13.5	25.5	3.7	40.9	82.5	14.8	7.1	0.3
Berkeley	287	1.0	3.1	5.2	56.1	51.9	11.8	8.0	7.0
Spokane	368	12.8	18.5	7.9	30.4	79.1	26.9	29.1	20.9
U.S. total . . .	6,115	24.2	27.4	5.0	31.8	72.6	50.4	45.4	26.8

Table 62—Distribution of net losses by 914 local cooperatives, by principal activity, fiscal year 1962

Classification of associations	Number of associations with net losses	Total net losses	Percentage of total net losses distributed—	
			To patrons based on current year's business	As unallocated reserves
		<i>1,000 dollars</i>	<i>Percent</i>	
Marketing - total	424	2,285	65.1	34.9
Cotton and cotton products	34	214	56.5	43.5
Dairy products	127	780	66.3	33.7
Fruits and vegetables	68	723	83.6	16.4
Grain and soybeans	30	256	46.8	53.2
Livestock	108	41	12.6	87.4
Poultry and eggs	9	107	83.2	16.8
Wool and mohair	30	4	—	100.0
Special crops and miscellaneous	18	160	22.0	78.0
Marketing/farm supply - total	161	2,853	43.5	56.5
Cotton/farm supply	6	31	8.3	91.7
Dairy/farm supply	21	828	86.8	13.2
Fruits and vegetables/farm supply	11	200	63.2	36.8
Grain/farm supply	104	1,608	25.5	74.5
Livestock/farm supply	2	30	—	100.0
Poultry/farm supply	5	36	62.2	37.8
Special crops/farm supply	1	1	—	100.0
Diversified marketing/farm supply	11	119	—	100.0
Bargaining - total	56	183	12.7	87.3
Dairy	37	85	20.3	79.7
Poultry	1	(¹)	—	100.0
Sugar beet	6	6	—	100.0
Fruits and vegetables	12	92	6.2	93.8
Farm supply	222	1,375	14.0	86.0
Service	51	105	23.0	77.0
Total	914	6,801	43.0	57.0

¹ Loss of less than 500 dollars.

Table 63.—Distribution of net losses by 914 local cooperatives, by farm credit districts, fiscal year 1962

Farm credit district	Number of associations with net losses	Total net losses	Percentage of total net losses distributed—	
			To patrons based on current year's business	As unallocated reserves
		<i>1,000 dollars</i>	<i>Percent</i>	
Springfield . . .	86	539	38.6	61.4
Baltimore . . .	83	638	36.2	63.8
Columbia . . .	23	350	93.6	6.4
Louisville . . .	74	1,255	20.2	79.8
New Orleans . .	20	104	52.3	47.7
St. Louis . . .	67	493	6.6	93.4
St. Paul . . .	292	883	37.9	62.1
Omaha . . .	76	408	37.1	62.9
Wichita . . .	38	322	13.9	86.1
Houston . . .	51	278	47.1	52.9
Berkeley . . .	36	300	51.0	49.0
Spokane . . .	68	1,231	83.9	16.1
U.S. total . .	914	6,801	43.0	57.0

DISTRIBUTION OF NET SAVINGS FOR FISCAL YEAR 1954

An earlier Farmer Cooperative Service study¹⁰ showed that at the close of fiscal year 1954, 9,793 marketing and farm supply cooperatives, excluding 264 bargaining organizations, had an estimated \$332 million left for distribution after payment of authorized expenses. Duplications arising from intercooperative business were not eliminated in arriving at this estimate. When intercooperative duplications were eliminated, it was estimated that approximately \$275 million in net savings were left for distribution and allocation to farmer

¹⁰ Hulbert, Helim H., Griffin, Nelda, and Gardner, Kelsey B. Methods of Financing Farmer Cooperatives. Farmer Cooperative Service, U.S. Dept. Agr., Gen. Rpt. 32, June 1957.

members in 1954. This was equivalent to over 3 percent savings on a volume of business estimated at \$8.5 billion for the 9,793 cooperatives.

As with the 1962 data, these figures did not reflect the savings and value of services pro-

vided by many farmer cooperatives operating on a "pool" basis and having no margins for distribution at the end of the fiscal year.

Table 64 shows distribution of 1954 net savings reported by these cooperatives by type of association.

Table 64.—Distribution of net savings of 9,793 farmer cooperatives, fiscal year 1954¹

Type of association	Number of associations	Total net savings	Percentage of total net savings distributed as—						
			Dividends and interest on—			Patronage refunds on current year's business		Unallo- cated reserves	Federal and State income taxes
			Common stock	Preferred stock	Other equity capital	Paid in cash	Allocated		
		<i>1,000 dollars</i>	<i>Percent</i>						
Marketing . . .	6,420	219,334	2.0	1.8	0.2	30.8	59.4	3.1	2.7
Locals	6,103	149,431	2.2	1.7	0.1	33.0	56.1	4.3	2.6
Regionals . .	317	69,903	1.5	2.2	0.3	26.0	66.4	0.7	2.9
Farm supply . .	3,373	112,714	3.7	4.6	0.6	31.4	48.1	4.6	7.0
Locals	3,257	61,437	2.8	4.9	0.1	36.0	45.7	6.1	4.4
Regionals . .	116	51,277	4.7	4.2	1.3	25.7	51.1	2.7	10.3
Total	9,793	332,048	2.6	2.8	0.3	30.9	55.6	3.6	4.2
Locals	9,360	210,868	2.4	2.6	0.1	33.9	53.1	4.8	3.1
Regionals . .	433	121,180	2.9	3.1	0.7	25.9	59.9	1.5	6.0

¹ This table includes estimates for all associations listed with Farmer Cooperative Service in 1954, except 264 bargaining organizations. The percentage distributions were based on the percentages of net savings reported by the 1,157 associations included in the survey.

APPENDIX A

Questionnaire Used for Collecting Data

Budget Bureau No. 40-6248
Approval expires December 31, 1962

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMER COOPERATIVE SERVICE
WASHINGTON 25, D.C.

FINANCIAL STRUCTURE OF FARMER COOPERATIVES

Please furnish all information for your last fiscal year, ended _____, 19____. Base replies on consolidated statement if you have subsidiaries.

Please use an extra sheet of paper if more space is needed to answer any question.

I. GENERAL INFORMATION REGARDING ASSOCIATION

A. Dollar volume of business for last fiscal year:

- (1) Marketing business \$ _____
- (2) Farm supply business _____
- (3) Service receipts _____
- (4) TOTAL DOLLAR VOLUME \$ _____

B. Total number of patrons selling or buying through your association during the last fiscal year:

- (1) Number of individual patrons served directly by your association (including members; excluding patrons of affiliated associations) _____
- (2) Number of associations served by your association _____

II. BALANCE SHEET INFORMATION

From your last fiscal year balance sheet please furnish the following information:

ASSETS:

Current \$ _____

Fixed (net) _____

Investment in other marketing and purchasing cooperatives _____

Other assets _____

Total assets \$ _____

LIABILITIES AND NET WORTH:

Current liabilities \$ _____

Term liabilities (over one year) _____

Net worth or equity capital _____

Total liabilities and net worth \$ _____

III. BORROWED FUNDS

Please supply the information requested below for funds borrowed by the association on a loan basis from individuals, banks, or other sources. Show, by source, all loans owed during the last fiscal year, including short-term or seasonal loans that have been paid in full prior to the fiscal year end.

SOURCES OF BORROWED FUNDS <i>(If more than one loan was obtained from the same source, supply information for <u>each</u> loan separately.)</i>	SHOW SEPARATELY FOR EACH LOAN:			
	MAXIMUM AMOUNT OWED DURING LAST FISCAL YEAR	AMOUNT OWED, END OF FISCAL YEAR	RATE OF INTEREST AT TIME OF LAST PAYMENT	ORIGINAL TERM OF LOAN
(1)	(2)	(3)	(4)	(5)
(1) Banks for Cooperatives	<i>Dollars</i>	<i>Dollars</i>	<i>Percent</i>	<i>Years</i>
(2) Commercial banks				
(3) Insurance companies				
(4) Other cooperatives				
(5) Marketing & supply companies				
(6) Individuals: Direct loans from individuals Certificates of indebtedness (other than equity capital reported in Question IV) Debenture bonds				
(7) Other sources: (specify)				
(8) TOTAL BORROWED FUNDS				

IV. NET WORTH OR EQUITY CAPITAL

Please supply the following detail regarding equity capital reported in Question II. Show dollar amounts of equity capital outstanding by type of equity in Column 2; dividend or interest rates, if interest bearing, in Column 3; and check to indicate how each type was acquired in Columns 4, 5 and 6.

TYPES OF EQUITY CAPITAL (1)	AMOUNT (2)	DIVIDEND OR INTEREST RATE (3)	HOW ACQUIRED BY MEMBERS, PATRONS AND OTHERS		
			PURCHASE (4)	AUTHORIZED DEDUCTIONS ¹ (5)	REFUNDS RETAINED (6)
	<i>Dollars</i>	<i>Percent</i>	<i>Check applicable methods</i>		
(1) Common stock					
(2) Preferred stock					
(3) Membership certificates (non-stock)					
(4) Certificates of equity, or certificates of interest, or certificates of in- debtedness, <i>without</i> maturity dates					
(5) Certificates of equity, or certificates of interest, or certificates of in- debtedness <i>with</i> maturity dates, but primarily mem- ber owned, and considered equity capital					
(6) Allocated patrons equity reserves with patrons notified					
(7) Unallocated reserves					
(8) Undistributed savings or margins for current year					
(9) Other equity capital: (specify)					
(10) TOTAL EQUITY CAPITAL ²					

¹Authorized deductions from sales proceeds, i.e., two cents per box, etc.

²This total should agree with the total net worth or equity capital reported in Question II.

V. DISTRIBUTION OF NET MARGINS OR SAVINGS

- A. From your last fiscal year operating statement, indicate your annual net operating margins or savings (or losses): \$ _____
- B. From your audit report or individual ledger accounts, indicate below how these net margins (or losses) were distributed or allocated:
- (1) Dividends on common stock \$ _____
 - (2) Dividends on preferred stock _____
 - (3) Interest on other equity capital (Include any interest on *equity capital* even though it was included as an expense in your operating statement) _____
 - (4) Cash refunds to members and patrons on current year's business _____
 - (5) Allocated to members and patrons as capital credits or losses (Include book credits, retained refunds, and all equity reserves, whether certificates were issued or each patron was only notified of his proportionate share) _____
 - (6) Unallocated reserves. _____
 - (7) Federal income tax (if included in total) _____
 - (8) State income tax (if included in total) _____
 - (9) Other (specify):

- TOTAL NET MARGINS OR SAVINGS (LOSSES) \$ _____

- C. Does this net margins or savings figure include patronage refunds (cash or allocated credits) received from other marketing and farm supply cooperatives as a result of their most recent year's business?
- Yes ☐ ; No ☐ ; If "yes," give dollar amount: \$ _____

VI. INCOME TAX INFORMATION

- A. Does your association hold a letter of Federal income tax exemption? Yes ☐ No ☐
- B. Has your association paid (or allocated for payment) Federal or State income taxes for the fiscal year for which you are reporting? Please check "yes" or "no" and, if "yes," show amount.
- (1) Federal income tax: Yes ☐ ; \$ _____ No ☐
 - (2) State income tax: Yes ☐ ; \$ _____ No ☐

PLEASE FURNISH WITH THIS QUESTIONNAIRE A COPY OF YOUR BALANCE SHEET AND OPERATING STATEMENT FOR THE FISCAL YEAR FOR WHICH YOU ARE REPORTING.

Date: _____

(NAME AND POSITION OF PERSON COMPLETING THIS FORM)

APPENDIX B.--DEFINITION OF TERMS

Terms pertaining to capital and financing and those used to classify cooperatives have different meanings to different people. For purposes of this study, the following definitions are used.

Terms Used to Classify Cooperatives

A farmer cooperative is a business enterprise that is financed, controlled, and operated by the agricultural producers that it serves; does more than half its business with members; and provides for one vote per member or for a limit on its dividends on capital stock of 8 percent a year or the legal rate in the State, whichever is higher.

Marketing cooperatives are those farmer cooperatives with two-thirds or more of their total dollar volume derived from the sale of farm products for patrons. Many also purchase farm supplies and perform related services for their members. The marketing cooperatives are also classified by major commodity handled.

Marketing/farm supply cooperatives are those farmer cooperatives engaged in both marketing and supply activities, with each substantial enough that the other does not account for two-thirds of total dollar volume. These diversified cooperatives are further classified by major farm product marketed.

Farm supply cooperatives are those farmer cooperatives whose farm production supply business constitutes two-thirds or more of their total annual dollar volume. Many farm supply cooperatives also market farm products and perform related services for their members.

Bargaining cooperatives are those farmer cooperatives engaged primarily in bargaining for price of farm products. Many also process and/or market some farm products for their members.

Service cooperatives are those farmer cooperatives engaged primarily in providing services to members, including such functions as storage, drying, trucking, or educational and promotional services.

A local cooperative is essentially a local association providing cooperative services for a community, a county, or even several

counties. Individual farmers are the members of these local cooperatives. Local associations usually perform a limited number of the first steps involved in marketing. In the case of farm supply associations, practically all sales are at the retail level. Local associations may or may not be affiliated with other cooperatives.

A regional cooperative is one that usually serves a district comprising a number of counties, an entire state, or a number of states. Types of associations classified as regional for purposes of this study include:

1. All federated associations. A federated farmer cooperative is one that directly serves other farmer cooperatives--primarily local member associations. All farmer cooperatives with no individual farmer members were classified as federated regionals regardless of the size of the region or area served. Most of the federated regionals included in this study, however, served an area covering at least several counties.

2. Centralized associations that serve individual farmers in more than 8 or 10 counties. Most of the centralized regionals included in this report served farmers in a much larger area, including some that served an entire State or parts of several States. All other centralized cooperatives were classified as local associations.

3. Mixed membership cooperatives--those with large volumes which are neither wholly federated nor centralized but have both local cooperatives and individual farmers as members.

Terms Pertaining to Capital

Assets are items of value owned by cooperative businesses. For this report, these items were grouped into current assets, fixed assets, and "other" assets. The grouping depends primarily on the length of time before assets are likely to be turned into cash or charged as expenses.

Current assets are the working assets of a business. They consist of cash and other assets which can be expected to turn into cash in the course of a normal business cycle, generally one year. Current items include cash, notes and accounts receivable, inventories, and short-term and marketable securities.

Fixed assets are the tangible capital assets of a business. Included are assets such as land, buildings, equipment, and machinery, which are not easily convertible into cash and are intended for long-term use in operating the business.

Fixed assets are shown at net book value, that is, at cost less allowance for depreciation or obsolescence. The values reported for fixed assets reflect various rates and methods used by cooperatives to compute depreciation. Any attempt to revalue these assets on a comparable basis was beyond the scope of this report.

Other assets is a broad classification used to absorb all assets of the cooperatives except those classified as current or fixed. Included are investments in other businesses (including investments in other cooperatives), all deferred charges (prepaid expenses), long-term receivables, and intangible assets.

Liabilities are amounts owed by a business to its creditors. Current liabilities represent short-term obligations normally due within a year of the balance sheet date. Accounts payable, taxes, dividends, and other accruals, as well as short-term loans and any portion of long-term debt due within the year, were classified as current liabilities.

Term liabilities represent long-term obligations of a business. All debt capital which becomes due beyond a year from the date of the balance sheet is included.

Net worth, or equity capital, is the excess of the value of assets over liabilities. It represents the investment or ownership interest of all members and patrons in their cooperative. For purposes of this report, equity capital has been grouped into the following categories:

1. Common stock and preferred stock refer to securities issued as shares of ownership. Stock is usually divided into more than one class, primarily to control voting rights and to vary income and risks of stockholders.

The articles of incorporation of cooperatives usually spell out the various classes of capital stock to be issued and the rights of each class of stockholders. These vary from one cooperative to another, not only according to State cooperative laws governing the issuance of capital stock but also according to the needs and purposes of each individual association. There is no

definite pattern in classifying stock as common or preferred. For example, Class C Common Stock issued by one cooperative may be essentially the same as Class A Preferred Stock issued by another association.

"Fractional shares" of stock were reported on the balance sheets of many of the cooperatives. Fractional shares were added to shares outstanding for purposes of this report, even though stock certificates are generally not issued until stockholders have paid for them in full.

2. Membership certificates are generally issued by nonstock or unincorporated cooperatives to voting members as an indication that the required membership fee has been paid. Nonvoting membership certificates were reported by a few cooperatives in some States; but for purposes of this report, nonvoting certificates were included with "certificates of equity without maturity date" rather than as "membership certificates."

3. Certificates of equity with maturity dates were shown on the balance sheets of some of the cooperatives as equity capital. In fact, such certificates constituted the entire equity section of a few associations. These certificates were listed under numerous names. Included were such classifications as certificates of indebtedness, certificates of interest, certificates of ownership, revolving fund certificates, participation certificates, and, in a few instances, debenture bonds. When these certificates carried a fixed date of maturity, they generally had a fixed rate of interest, but this was not true in all cases--some were noninterest bearing. Maturity-dated certificates were issued to represent retention of patronage refunds, capital retains, or outright purchase by members, patrons, and others.

Certificates issued by farmer cooperatives are sometimes puzzling financial instruments to classify either as borrowed capital or equity capital, particularly where they bear maturity dates. In some respects certificates with such provisions have the characteristics of hybrids--embodying some of the qualities of borrowed capital and some of the marks or attributes of equity capital. The classification and treatment assigned

certificates in accounting records is often dependent on whether the issuing cooperative considers it is acquiring borrowed capital or equity capital when it issues certificates. Thus, it is not unusual to find certificates of indebtedness bearing interest and having a definite maturity date classified among the liabilities as borrowed capital on one balance sheet and as net worth or equity capital on another.

Certificates may or may not bear interest and may or may not have a maturity date. Thus, a farmer cooperative issuing to members a certificate of indebtedness bearing 4 percent interest with a 10-year maturity date may consider that it is acquiring equity capital at the time the funds are paid in to the cooperative. But as the years pass and the maturity date approaches, the nature of this form of "equity capital" changes to that of a liability. And in the year of maturity any credit agency looking over the association's balance sheet would insist on classifying such certificates of indebtedness not only as borrowed capital but as current liabilities.

This problem was recognized in making this study. We attempted to include all certificates of indebtedness bearing interest and having definite maturity dates as borrowed capital. Certificates of equity, and other like certificates bearing no interest and having no maturity dates were to be classified as equity capital. Likewise, certificates of equity, bearing interest, but having no maturity date, were also to be classified as equity capital. All certificates with definite maturity dates were to be classified as borrowed capital.

But many cooperatives issue revolving fund certificates to members, evidencing savings of the cooperatives retained in the business. They issue some of these revolving fund certificates in annual series bearing interest and maturing after a specified number of years. As these revolving fund certificates mature, they too tend to lose the characteristics of equity capital and take on those of borrowed capital.

When these certificates were listed as equity capital by the cooperatives, they were left in the equity section even if they had maturity dates if they were issued either to

members and patrons as evidence of accumulated patronage refunds and capital retains, or if they were noninterest bearing and sold outright, but primarily to members and patrons. However, these certificates, even though listed by the cooperatives as equity capital, were reclassified as debt capital for this study if they bore interest and were sold outright rather than issued as evidence of retained patronage refunds or capital retains.

Generally, all claims against an association which are fixed as to amount and maturity date should be removed from the equity section. In making such changes for this study, however, the following factors were taken into consideration: whether substantially all of the certificates in question were in the hands of members of the association, and whether or not the certificates had been acquired through allocation of patronage refunds.

This is an area where confusion exists among cooperatives, and where there is need for clarification as to what constitutes equity capital and what constitutes debt capital. Of the 8,522 cooperatives, 295 (57 regionals and 238 locals) listed some maturity-dated certificates as equity capital on their balance sheets.

4. Certificates of equity without maturity dates are certificates issued primarily to members and patrons through the process of making capital retains or allocating patronage refunds. These certificates represent deferred patronage refunds payable in cash at some future date. Generally, they are handled on a revolving fund basis, that is, the oldest outstanding certificates are retired first. Some cooperatives pay dividends on these equity certificates; but, in general, they do not bear interest.

5. Allocated capital credits are the same as certificates of equity without maturity dates, with a few exceptions. Certificates are not issued, and the credits are acquired by patrons entirely through capital retains or allocation of patronage refunds. Each patron is notified, usually by letter, at the close of each fiscal year of the amount allocated to him on the books of the cooperative as a result of his business transactions with the cooperative during the year. These

credits are handled by some cooperatives on a revolving basis in the same manner as if equity certificates were issued. In other cooperatives, they represent a more permanent type of allocated reserve. All allocated reserves were classified as allocated capital credits.

6. Unallocated reserves are amounts set aside from net margins to be kept in the business. All equity reserves not subject to allocation to patrons were placed in this classification. Included were such balance sheet accounts as general reserves, capital reserves, contingency reserves, expansion reserves, education reserves, reserves for losses, earned surplus, tax-paid surplus, and retained earnings.

When "current net margins" were reported on the balance sheets of the cooperatives as undistributed equity capital, the balance sheet figures were adjusted to portray amounts after distribution.

"Reserve for depreciation," a valuation reserve, is generally not listed by cooperatives under equity capital, but is shown as a contra-entry to, and in the same section of the balance sheet as, the related fixed assets. However, a few cooperatives, primarily those having storage facilities, carried accelerated depreciation reserves on their balance sheets as equity capital. In these instances, the amounts shown as accelerated depreciation reserves were included with unallocated reserves.

7. Miscellaneous equity capital, as used in this report, includes the following types of unallocated equity capital: all paid-in, contributed, and donated capital; capital surplus resulting from unclaimed checks, "called" stock, and other certificates for which State statutes of limitations have expired; appraisal surplus; capital reduction surplus; equity capital resulting from consolidation; and minority interest of a few cooperatives in consolidated subsidiaries.

Capital retains refer to investments made by patrons of farmer cooperatives based on the physical or dollar volume of products marketed through the cooperatives. The capital or per unit retain method of

acquiring equity capital is used primarily by marketing cooperatives. For example, an association may retain for capital purposes 6 cents per hundredweight of milk or 1 cent per carton of eggs. Only those retains used by cooperatives for clearly defined capital purposes, rather than those deductions used to cover operating expenses, were classified as capital retains.

Refunds retained is a term applied to patronage refunds on which ultimate redemption in cash is deferred. Net savings retained in the business as noncash patronage refunds is a major source of equity capital of farmer cooperatives.

Borrowed capital, or borrowed funds, refers to capital borrowed on a formal loan basis. Accounts payable and deferred and accrued items (including commission company accounts and past-due billings and deferred paper) were excluded.

Direct loans from individuals refers to borrowings on the basis of individual notes, including such items as lease purchase contracts and mortgage notes with individuals, as well as unsecured notes payable.

Certificates of indebtedness and debenture bonds issued to members, patrons, and other lenders were classified as borrowed funds if they bore interest, carried a definite date of maturity, and were sold outright to investors rather than issued to patrons as evidence of retained patronage refunds or capital retains. (See definition of certificates of equity with maturity date on page 96.)

In general, these debt securities were of an unsecured nature--not protected by any lien on the property of the cooperatives issuing them.

Debenture bonds and certificates of indebtedness are essentially the same type of unsecured debt capital. Debentures are a relatively new type of bond. They are generally issued under a trust deed.

Other sources of borrowed funds include insurance companies, marketing and supply companies, State and national farm organizations, commercial credit corporations, credit unions, and employee pension or trust funds.

Other Publications Available

Financial Structure of Regional Farmer Cooperatives, General Report 133.
Nelda Griffin.

Financial Structure of Regional Farm Supply Cooperatives, General Report 124.
Nelda Griffin.

How Adjustable Revolving Fund Capital Plan Works, General Report 111.
Nelda Griffin

Methods of Financing Farmer Cooperatives, General Report 32. Helim H. Hulbert,
Nelda Griffin, and Kelsey B. Gardner.

Revolving Fund Method of Financing Farmer Cooperatives, General Report 41.
Helim H. Hulbert, Nelda Griffin, and Kelsey B. Gardner.

How Farm Marketing Cooperatives Return Savings to Patrons, Research Report 7.
Donald R. Davidson.

Methods and Policies Used in Making Patronage Refunds by Selected Farmer
Cooperatives, General Report 137. Donald R. Davidson.

How the Revenue Act of 1962 Affects Farmer Cooperatives, General Report 105.
Raymond J. Mischler and David Volkin.

Handling Net Margins Under the New Tax Law, Information 39. Raymond J. Mischler.

Tax Laws Changed on Capital Retains, Reprint 328. David Volkin and D. Morrison
Neely.

Managing Farmer Cooperatives, Educational Circular 17. Kelsey B. Gardner.

Improving Management of Farmer Cooperatives, General Report 120.
Milton L. Manuel.

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Farmer Cooperative Service
U.S. Department of Agriculture
Washington, D.C. 20250

